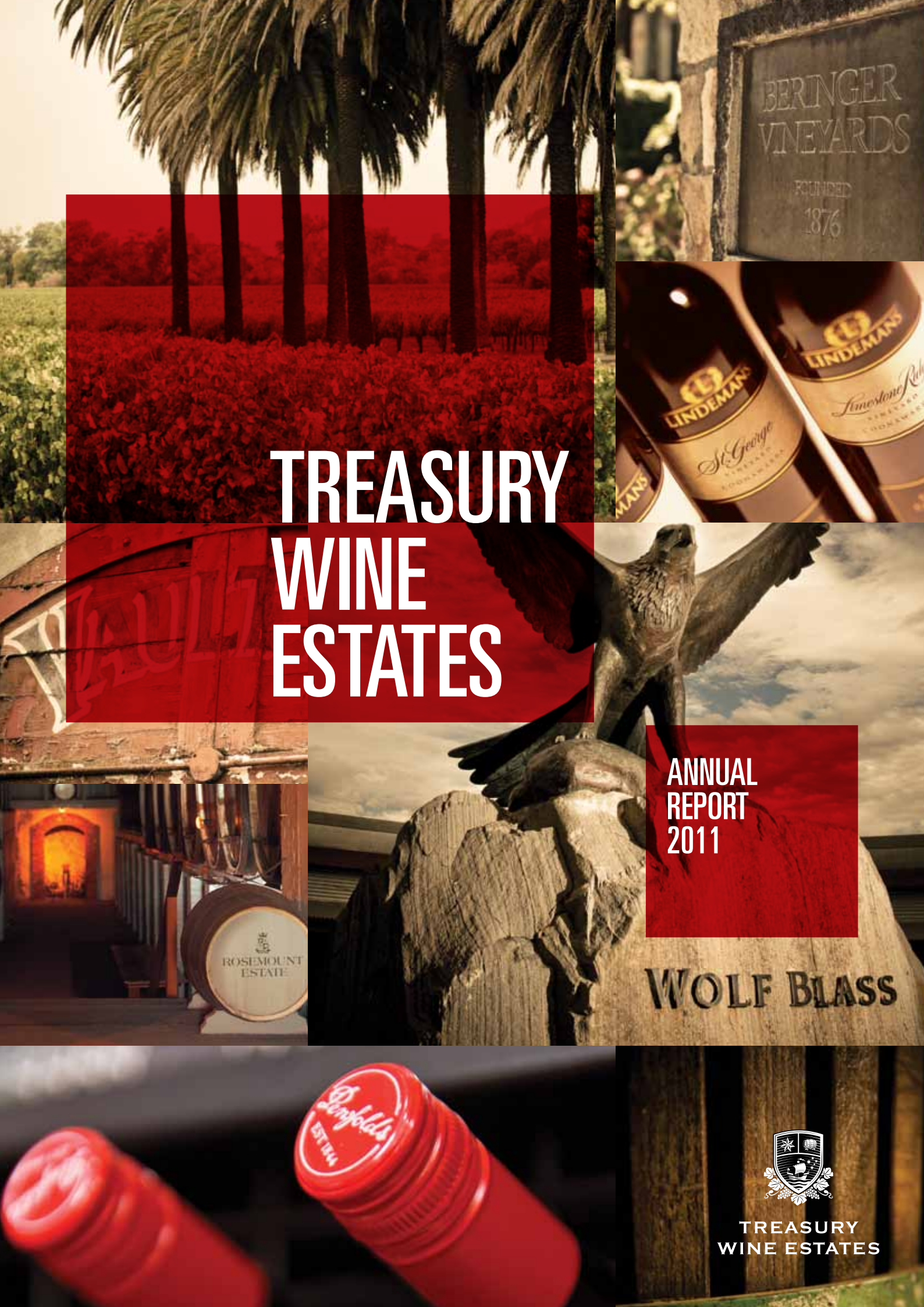
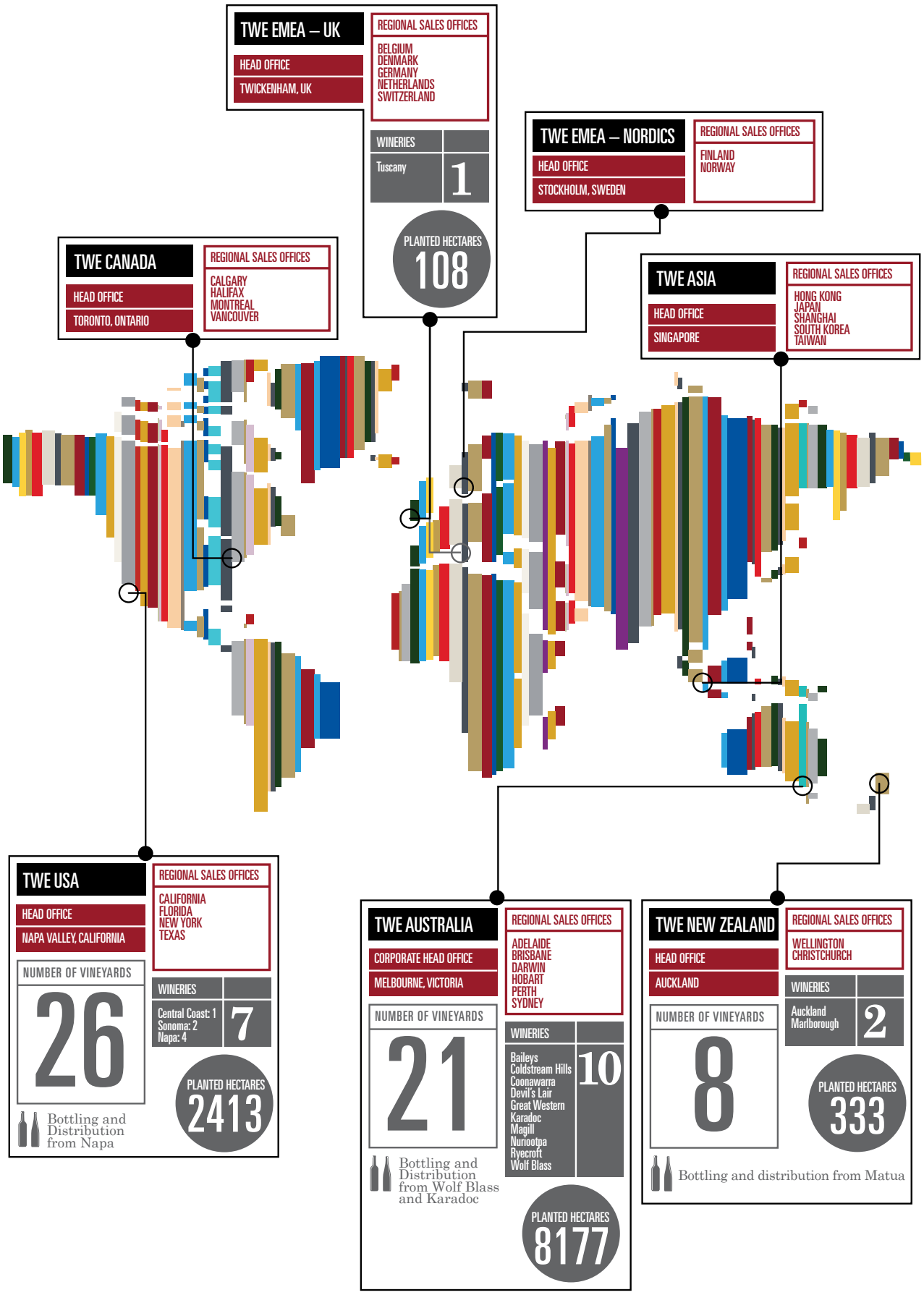


TREASURY WINE ESTATES

ANNUAL REPORT 2011

TREASURY
WINE ESTATES

OUR LOCATIONS



CONTENTS

WE WILL BE RECOGNISED AS THE WORLD'S MOST SUCCESSFUL AND CELEBRATED WINE COMPANY.

OUR AMBITION

CHAIRMAN'S REPORT

Dear Shareholder,

This is Treasury Wine Estates' (TWE) first Annual Report as a standalone listed Company and I would like to thank you for your support as a shareholder and customer during what was an extremely exciting period.

A solid performance

I am pleased to report that TWE delivered a solid result despite a challenging trading environment and significant external headwinds. This was driven in large by ongoing improvements in execution in many parts of the business, from a sharper focus on our brands and a refined sales and marketing approach, to improved relationships with our customers and enhanced route to market capability. Indeed, this result is testament to the resilience of our business, and the hard work of our team.

To assist shareholders and other stakeholders in their understanding of TWE's business as it is now structured, pro forma financial information for the years ended 30 June 2010 and 2011 is provided in the Review of Operations section of this Report. In the preparation of the pro forma financial information, adjustments have been made to TWE's statutory results and cash flows to present a view of performance as if TWE's demerger from Foster's Group had been effective from 1 July 2009.

On a pro forma basis, and at constant currency, net sales revenue per case was ahead of the prior period in all regions. This was a particularly pleasing result in a difficult environment and reflects strong volume growth in luxury wines, price increases on a range of products, premiumisation initiatives within price tiers and brands, and an ongoing focus on realigning our business towards more profitable brands, channels and markets.

While currency movements, particularly in the US and UK markets continued to impact our reported earnings, pro forma earnings on a constant currency basis rose 13.1%, with growth in three of our four regions and EMEA in line with the prior year. We saw particularly strong performances in ANZ and Asia.

However, our strategy of pursuing profitable volume growth in the face of very challenging and competitive market conditions – in EMEA and the Americas in particular – cost us volume. While our long term objective of growing both volume and profit remains steadfast, we recognise that our execution needs to be responsive to external dynamics. David Dearie and his team have identified a clear set of priorities to address performance in these key international markets, while maintaining momentum in ANZ and investing for growth in Asia.

The Directors have announced a dividend of 6.0 cents per share, franked to 50%.

The business is positioned for growth

Long term demographic and wealth creation trends support increased consumption, and demand for luxury and premium wine is growing in our key markets. In the past 12 months, despite challenging trading conditions, the wine category, and particularly the boutique and luxury segments, held up remarkably well.

As a company, TWE is well positioned with a strong, conservative balance sheet, consistent cash flows, and a clear strategy both to capitalise on growth opportunities and to protect against the risks to our business.

Our broad portfolio of well-loved wine brands, combined with our efficient and flexible production and viticulture model, provide a real competitive advantage and mean that we are well placed to grow. Thanks to the hard work, focus and commitment of our viticulturalists, our wine makers and our production team, we have emerged from the challenging 2011 Australian vintage in a solid position and maintained our rigorous quality standards.

Our new global structure will help us to better address performance issues in some markets while capitalising on growth opportunities in others. Guiding us in these pursuits is our ambition to be recognised as the world's most successful and celebrated wine company, while generating returns for you, our shareholders, and enjoyment for our consumers.

Investing for the future

While key markets remain challenging, we will continue to invest in our brands, our people and our communities. We are implementing a multi-year program to drive efficiency in all aspects of the business, and ensure that we operate as leanly and sustainably as possible. Investment in our core brands and in innovation to win new consumers will be key drivers of growth. We will devote new energy and resources to engaging with and developing our team, so that we attract the best and brightest in the wine industry. We will take up our responsibilities as a key player in the wine industry. And we will continue to advocate responsible consumption, lending our voice to campaigns to promote alcohol education, awareness and assistance.

Our people are at the heart of our business

The success of TWE relies strongly on our team members and their shared vision for the future of our Company. I thank them for their hard work, focus and commitment in what has been a challenging year.

I acknowledge the support of my Board colleagues and commend them for the commitment and enthusiasm they have demonstrated so far. Each Board member brings complementary skills and a fresh perspective, and I look forward to working with them to deliver on our strategy.

On behalf of the Board and shareholders, I would like to thank David and the senior management team for their contribution to our results and their commitment to our future as one of the world's leading wine companies.

Finally, I wish to thank you, as our owners, for your ongoing support.

Regards,

Max Ould
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder,

This has been a year of transition for Treasury Wine Estates (TWE), having successfully demerged from Foster's Group to become a standalone wine company. There are many challenges ahead of us, but the business is positioned to grow, and our team is energised as never before.

Solid performance reflects fundamental business improvement

In a challenging trading environment characterised by fragile consumer confidence in many of our key markets, TWE delivered a solid performance, reflecting the benefits of some of the fundamental business improvements we've made over the past 18 months.

While volume globally was 6.6% lower than the previous year due to deliberately reduced promotional activity, net sales revenue per case rose 6.5%, with growth in all regions on a constant currency basis. This reflects not only the long term trend towards premiumisation, but also strong growth from our exceptional portfolio of boutique and luxury wine brands.

Momentum in the ANZ region continued with pro forma constant currency earnings up 13.2% to $96.3 million. The wine category in Australia held up remarkably well, and we reaped the benefits of our focus on improving the way we do business, with growth across all sales channels as a result of improving customer relationships, as well as better planning and execution. Seven of our top 10 wine brands recorded strong growth.

The consumer spending environment in our key Asian markets, except Japan, remained strong and the Asian region delivered earnings growth of 19.1% on a constant currency basis. Volume in China, a key growth market for us, rose by 37.6%. Penfolds, Wolf Blass and Beringer grew strongly on the back of consistent and measured investment to build brands, relationships and organisational capability in Asia; strategies which are delivering new listings in high visibility channels like duty free, hotels and airlines.

Market conditions in the Americas and EMEA proved more challenging, exacerbated by the ongoing strength of the Australian dollar. In the Americas, strong first half earnings made way for a softer second half as the economic outlook became increasingly uncertain, and competitors discounted aggressively in the face of weakening consumer confidence. We did not match the aggressive spend of our competitors and subsequently lost volume in the Commercial segment.

For the full year on a constant currency basis, we were pleased to see earnings in the Americas increase 8.2% to $92.2 million. We also achieved growth in net sales revenue per case of 6.2%, driven by strong growth of our Luxury portfolio. We attribute this to a focused Luxury sales team and lower promotional activity. In the more competitive Commercial categories, retailing at below US$8 per bottle, our performance fell short of expectations. However, Beringer Light & Refreshing gained traction with consumers, with volume up 13.7% for the year and 19% in the second half.

Reinvigorating Beringer under focused leadership will be a key priority in the coming months. We also recognise the need to focus on achieving both volume and value growth across all tiers in the portfolio, and to focus on building more effective relationships with our retailer and distributor partners to reposition our brands on retail shelves. We will ensure that our promotional strategy is responsive to competitive and market dynamics.

In EMEA, earnings were impacted by the subdued consumer spending environment, aggressive competitor price discounting and the strength of the Australian dollar. To counter this, we responded by focusing our promotional and marketing efforts on driving profitable volume growth. On a constant currency basis, net sales revenue per case grew by 2.9% and earnings were in line with the previous year.

In the UK market, we were pleased to see our performance improve significantly. In the Nordics, while we held market share in Sweden, we saw volume decline as the overall Australian category lost market share. As a result, we have increased our investment in new products like the Lindeman's Rosé and Sparkling ranges, and are now placing greater emphasis on our non-Australian portfolio including the Beringer, Gabbiano and Matua brands.

In 2011 the Australian Wine Industry experienced an extremely challenging vintage, with fruit quality impacted by above average rainfall and disease in key growing regions. I am pleased to say that TWE secured the vast majority of

our white wine and Commercial red wine requirements, the majority of our Premium red wine requirements, and sufficient quantities of suitable quality fruit to produce 2011 vintages for the majority of our Luxury red wines, including Penfolds Grange. However, volumes of Luxury red wine and a number of Premium red wine products are expected to be below average. TWE will look to increase its intake in the 2012 vintage, assuming a more normal vintage. In the Americas, vintage has only recently commenced due to weather conditions and is expected to result in lower than average yields.

A key part of running a successful wine business, particularly one with lofty ambitions like ours, means recognising and managing the strategic challenges that come with operating an agri-based business. We believe we have the scale, operating platform, and viticultural expertise to transform volatility into opportunity, and succeed throughout the cycle.

The road ahead: a global brand-builder

Our business has strong foundations from which to achieve our ambition of becoming the world's most successful and celebrated wine company. We have exceptional assets; an unrivalled portfolio of wine brands; a strong, robust balance sheet and an outstanding team of Vintrepreneurs to craft, make, market and sell wines of outstanding quality. We are intensely proud of our brand legacies and of our team who continue to inspire new generations of consumers.

As a standalone business, we have the freedom to do things differently, to fundamentally change the way we operate and improve the aspects of our business we know we can do better. Achieving our ambition will involve a raft of initiatives, and take time to perfect, much like a good wine. For TWE, it will be key to balance our short term expectations and financial obligations with the outstanding longer term opportunities.

Our performance over the last 12 months revealed that while parts of our business are performing well, others are not living up to expectations. Our immediate focus is to continue the momentum in ANZ, invest for growth in Asia, right-size the cost base in EMEA, and critically, improve performance in the Americas. This may take time but we believe we have the strategy, the people and now importantly, the structure and the culture, to make it happen.

TWE now thinks and behaves as one collaborative and aligned global wine business. We are focused on building exceptional brands by allocating resources to growth opportunities that optimise returns for our business as a whole and this is facilitated by our new structure, with its addition of five new Brand Managing Director positions to the TWE Executive Leadership team. We're also focused on driving the top line through profitable volume growth, margin enhancements and price leadership. And we will adopt a strategy to manage currency risk, particularly around our Australian export wine portfolio.

In keeping with our commitment to apply and practise cost management, we have devised a multi-year program to drive efficiency in all aspects of the business, with an immediate focus on implementing a program to unlock initial savings of $30 million to be fully realised in 2013. Additional savings are expected to be identified as the efficiency program is rolled out. In recognition of the unique cyclical challenges facing our industry, we are also optimising our supply network, including rolling out integrated business planning processes across the business to improve our supply and demand forecasting. A further priority in 2012 will be to improve our capital efficiency, allocating our resources towards areas where we can add value.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Leading the transformation is our team of Vintrepreneurs. They span multiple geographies and disciplines, yet are united by their passion for wine, their entrepreneurial spirit and their enthusiasm to tackle the challenges that lie ahead of us. They are consumer centric and customer focused, and have been equipped with the resources they require to go forward and help us drive the returns we know we can get from this business.

As a management team and Board, we are confident that our actions will ultimately result in the creation of value for you, our owners.

More broadly, we recognise the important role we have to play in promoting the long term growth of the wine category globally. We also remain steadfast in our commitment to the land, to our many communities, and to our consumers.

We are devoted to the enjoyment of wine and its moments of celebration but support moderate consumption, alcohol education and awareness.

I would like to take this opportunity to thank our Vintrepreneur team who have shown great dedication during this transformational period.

Thanks also must go to the Board for their sage guidance and stewardship.

We believe that our Company is better positioned than ever to succeed, and we are energised by the opportunity to shape our future.

Kind regards,

David CM Dearie
Chief Executive Officer

OUR NEXT STEPS

OUR IMMEDIATE FOCUS IS TO CONTINUE THE MOMENTUM IN ANZ, INVEST FOR GROWTH IN ASIA, RIGHT-SIZE THE COST BASE IN EMEA, AND CRITICALLY, IMPROVE PERFORMANCE IN THE AMERICAS. THIS MAY TAKE TIME BUT WE BELIEVE WE HAVE THE STRATEGY, THE PEOPLE AND NOW IMPORTANTLY, THE STRUCTURE AND THE CULTURE, TO MAKE IT HAPPEN.

Max Ould

Lyndsey Cattermole

Paul Rayner

David Dearie

Warwick Every-Burns

BOARD OF DIRECTORS

Max Ould, B.Ec

Non-executive Director and Chairman since the Company's listing in May 2011.

Chairman of both the Nominations Committee and Human Resources Committee.

Other directorships

AGL Energy Limited (since February 2006) and Goodman Fielder Limited (a Director since November 2005 and Chairman since September 2006).

Mr Ould has extensive experience in the fast moving consumer goods industry. He was formerly Managing Director and CEO of National Foods Limited, CEO of Pacific Dunlop's Peters Foods division, and Managing Director of the East Asiatic Company. Mr Ould was also formerly a Director of Foster's Group Limited (from February 2004 until May 2011), and Pacific Brands Limited (from February 2004 until October 2009).

Mr Ould is an independent Director.

David Dearie

Managing Director and Chief Executive Officer since the Company's listing in May 2011.

Mr Dearie has extensive experience in alcohol beverage companies, most recently as Managing Director, Australia and New Zealand Wine for Foster's Group Limited and, before that, as Managing Director, Western Europe and Africa for Brown-Forman. He has previously held various business development and sales positions with Whitbread and Co. and was Regional Director, South East Asia for Inchcape.

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

Lyndsey Cattermole AM

B.Sc., FACS

Non-executive Director since the Company's listing in May 2011.

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

Other directorships

Tatts Group Limited (since May 2005) and PaperlinX Limited (since December 2010).

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

Mrs Cattermole is an independent Director.

Warwick Every-Burns

AMP, Harvard University (Advanced Management Program 1996)

Appointed Non-executive Director in May 2011.

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

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

Mr Every-Burns is an independent Director.

Paul Rayner, B.Ec, MAdmin, FAICD

Appointed Non-executive Director in May 2011.

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

Other directorships

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

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

Mr Rayner is an independent Director.

LEADING THE TRANSFORMATION IS OUR TEAM OF VINTREPRENEURS. THEY SPAN MULTIPLE GEOGRAPHIES AND DISCIPLINES, YET ARE UNITED BY THEIR PASSION FOR WINE, THEIR ENTREPRENEURIAL SPIRIT AND THEIR ENTHUSIASM TO TACKLE THE CHALLENGES THAT LIE AHEAD OF US.

OUR PEOPLE

CORPORATE GOVERNANCE

This corporate governance statement outlines the framework that has been adopted by Treasury Wine Estates Limited and its group of companies ('the Company' or 'TWE') and its compliance with that framework for the reporting period commencing on 9 May 2011 (being the effective date of the Company's demerger from Foster's Group Limited prior to its listing on 10 May 2011 on the Australian Securities Exchange (ASX)) and ending on 30 June 2011, 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 policies and practices that have been put into place following the Company's demerger comply in all substantial respects with the ASX Principles unless otherwise set out in this statement.

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

Section 1 – Structure of the Board

1.1 Composition

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

The Board currently has five members, with four Non-executive Directors (including the Chairman) and one Executive Director.

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

Max Ould – Chairman

David Dearie – Chief Executive Officer

Lyndsey Cattermole AM

Warwick Every-Burns

Paul Rayner

Details of the respective Directors' qualifications, directorships of other listed companies, experience and other responsibilities are provided on page 11 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 assessed the independence of the new Directors upon appointment and will review the independence of all Directors at least annually (and more regularly where appropriate).

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

The Company has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a Director. In summary, the test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a Director's 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 process relating to the selection and appointment of new Directors will be posted on the Company's website.

1.4 Chairman

The Board Charter requires that the Chairman of the Board be 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:

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

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

2.2 Board Committees

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

- Audit and Risk Committee;
- Nominations Committee; and
- Human Resources Committee.

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

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

	Audit and Risk	Nominations	Human Resources
Members	Paul Rayner (Chair) Lyndsey Cattermole Warwick Every-Burns	Max Ould (Chair) Lyndsey Cattermole Paul Rayner	Max Ould (Chair) Lyndsey Cattermole Warwick Every-Burns
Composition	• At least three but no more than five members. • All members must be independent Non-executive Directors. • At least one member must have financial expertise or experience. • At least one member should have relevant risk management expertise or experience (Mr Rayner satisfies this requirement).	• The Committee must have at least three members. • The Chairman of the Board is to be the Chairman of the Committee.	• The Committee must have at least three members. • All members must be independent Non-executive Directors.
Responsibilities	**Oversee and/or review:** • The Company's systems and processes to ensure they are properly controlled and functioning effectively. • The ongoing maintenance of a sound system of risk oversight and management and internal control. • The processes used by management to ensure compliance with all requirements relating to external reporting. • The Company's legal and other obligations to all legitimate stakeholders. • The scope, coordination and conduct of the internal and external audit programs. • The performance and independence of the internal and external auditors. **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.	**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. **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.	**Oversee and/or review:** • The overall human resources strategies and policies consistent with the needs of the Company to achieve its short- and long term business objectives. • The establishment of training and development programs and succession plans for senior management. • The senior executive performance review process and results. • The development of a Company-wide diversity policy (and reporting on progress in achieving the objectives of the policy). **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).

	Audit and Risk	Nominations	Human Resources
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 since the demerger of the Company from Foster's Group Limited on 9 May 2011 are set out in the Directors' Report on page 24 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 will be conducted annually. The views of individual Directors as well as those of executives who report directly to the Chief Executive Officer in a senior management capacity and are members of the executive team referred to as the Wine Leadership Team will be canvassed.

Following each review:

- the performance of individual Directors will be 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 will be 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 will be measured against agreed annual key performance objectives, consistent with the Company's individual performance program.

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

Section 3 – Governance policies applicable to the Board

3.1 Directors' conflicts of interest

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

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

3.2 Board access and independent advice

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

The Board, an individual Director or a Committee, may engage an independent external adviser in relation to any Board matter, at the expense of the Company. Before the external advice is sought, consent needs to be obtained. In the case of:

- the Board – from the Chairman;
- an individual Director – from the Chairman or the relevant Committee Chairman, as the case may be;
- a Committee – from the Committee Chairman; and
- the Chairman – from the Chairman of the Audit and Risk Committee, or otherwise from a Director chosen by the Board for that purpose.

The Chairman or a Committee Chairman, as applicable, may determine that any external advice

received by an individual Director be circulated to the remainder of the Board.

3.3 Director induction and ongoing education

New Directors will be provided with a comprehensive induction program. They will 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 will include meetings with members of the Wine Leadership Team and other senior executives of the Company, and being formally briefed on the financial, strategic and operational position of the Company (including visits to key sites).

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

Section 4 – Governance policies of general application throughout the Company

4.1 Code of Conduct

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

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

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

- demonstrates corporate responsibility by encouraging the responsible consumption of the Company's products;
- conducts business with integrity, honesty and fairness;
- values and respects diversity in a workplace in which no-one is discriminated against on the basis of gender, age, race, religion, sexual orientation or marital status; and
- observes both the spirit and letter of the Company's legal obligations.

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

4.2 Whistleblower Policy

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

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

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

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

4.3 Conflicts of Interest Policy

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

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

4.4 Share Trading Policy

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

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

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

- Outside the 'black out' periods, a Director or member of the Wine Leadership Team who intends to buy or sell shares must seek prior approval for the proposed dealing:
  - from the Chairman, in the case of Directors and the Wine Leadership Team; or
  - in the case of the Chairman, a Director chosen by the Board for that purpose.

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

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

4.5 Diversity

The Company acknowledges that the ASX Corporate Governance Council released amendments to the ASX Principles on 30 June 2010 against which the Company will have to comprehensively report in its 2012 annual report. TWE recognises the social and commercial value of diversity and aims to create a work environment which is inclusive of all people regardless of gender, age, race, background or any other area of potential difference. The Board has therefore made a commitment to create a high performance culture by attracting and retaining the best possible talent and creating an inclusive environment where the Company's people can perform at their best. TWE has adopted a Diversity and Inclusion Policy which has particular focus on gender diversity across the organisation. TWE's approach to diversity is based on fostering a culture of attracting and advancing people based on merit and maintaining an inclusive and flexible workplace. The Company is implementing strategies to achieve these objectives and over the course of the 2012 financial year will measure its progress towards achieving them.

4.6 Risk management

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

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

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

4.7 Integrity in financial reporting

Role of the Audit and Risk Committee

The Audit and Risk Committee monitors the internal control policies and procedures designed to safeguard company assets and to maintain the integrity of the Company's financial reporting. The Chief Executive Officer, Chief Financial Officer, Risk and Assurance Director, External and Internal Auditors are invited to attend meetings, as required. Other executives and advisers are also invited to attend meetings as appropriate.

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

Appointment and rotation of the external auditor

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

It has been agreed with PricewaterhouseCoopers that the lead audit partner will be changed from time to time.

The lead audit partner will attend the Company's annual general meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Internal audit

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

The Audit and Risk Committee reviews the effectiveness and performance of the informal auditor,

approves the annual internal audit plan, reviews reports and agreed actions, and ensures that planned audit activities are aligned to business risks.

4.8 Disclosure to stakeholders

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

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

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

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

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

4.9 External directorships

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

4.10 Corporate social responsibility

TWE has adopted an integrated approach to corporate social responsibility. The Company is committed to continuously improving its business practices to maximise positive and minimise negative social, environmental and economic impacts.

The objectives of this approach are to protect TWE's social licence to operate through risk management, proactively engage TWE's various stakeholders with interest in the Company's social and environmental performance, enhance employee engagement and retention, and positively support TWE's corporate reputation.

WE HAVE EXCEPTIONAL ASSETS; AN UNRIVALLED PORTFOLIO OF WINE BRANDS; A STRONG, ROBUST BALANCE SHEET AND AN OUTSTANDING TEAM OF VINTREPRENEURS TO CRAFT, MAKE, MARKET AND SELL WINES OF OUTSTANDING QUALITY. WE ARE INTENSELY PROUD OF OUR BRAND LEGACIES AND OF OUR TEAM WHO CONTINUE TO INSPIRE NEW GENERATIONS OF CONSUMERS.

OUR FOUNDATIONS

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 (collectively 'TWE', 'the consolidated entity' or 'the TWE Group') for the financial year ended 30 June 2011 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:

- the Remuneration Report appearing on pages 40 to 60;
- Review of Operations on pages 28 to 35; and
- details of Company Directors on page 11.

Demerger of TWE from Foster's Group Limited

Treasury Wine Estates Limited (formerly known as Beringer Blass Wine Estates Pty Ltd prior to 19 November 2010, and Beringer Blass Wine Estates Limited from 19 November 2010 until 21 December 2010) ceased to be a wholly-owned subsidiary of Foster's Group Limited (Foster's Group) and commenced operations in its own right with effect from 9 May 2011.

The demerger occurred under a scheme of arrangement that was approved by a meeting of Foster's Group shareholders held on 29 April 2011 and approved by the Supreme Court of Victoria on 4 May 2011. Details of the demerger proposal were set out in a demerger Scheme Booklet dated 17 March 2011.

The Company was listed as a separate standalone entity on the Australian Securities Exchange (ASX) on 10 May 2011.

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

Changes in the state of affairs

Aside from the Company's demerger from Foster's Group referred to above, there have been no material changes in the state of affairs that have occurred in the financial year.

Statutory and pro forma information

As required for statutory reporting purposes, the consolidated financial statements for the Company and its controlled entities have been presented for the financial year ended 30 June 2011 and appear on pages 61 to 64.

The TWE Group's statutory financial information includes the results of those entities, assets and liabilities that ceased to be part of the TWE Group under the corporate restructure for the period from 1 July 2009 until immediately prior to the demerger, relating to certain non-wine activities and external borrowings that formed part of the TWE Group prior to the demerger, but were retained by Foster's Group.

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

The TWE Group's statutory financial information for the year ended 30 June 2011 and for the comparative year ended 30 June 2010 present the TWE Group's performance in compliance with statutory reporting obligations. However, as a result of the restructure immediately prior to the demerger, the statutory financial information does not provide a view of the performance of the TWE Group's business as it is currently structured. In addition, the TWE Group's statutory financial results only reflect changes in operating and corporate costs associated with the TWE Group becoming a standalone consolidated entity from 9 May 2011.

To assist shareholders and other stakeholders in their understanding of the TWE Group's business as it is now structured, pro forma financial information for the years ended 30 June 2010 and 2011 is provided in the Review of Operations section of this Report.

In the preparation of the pro forma financial information, adjustments have been made to the TWE Group's statutory results to present a view of performance as if the internal corporate restructure associated with the demerger had been effective from 1 July 2009. Additional adjustments have also been made in the presentation of pro forma financial information to reflect changes in costs associated with the Company becoming a standalone listed entity as if those costs had been incurred from 1 July 2009.

The pro forma adjustments referred to above have been made on a basis consistent with that set out in the demerger Scheme Booklet.

A reconciliation of the Company's statutory result and pro forma financial information is included on pages 34 and 35.

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

Review of Operations

A Review of Operations for the 2011 financial year is provided on pages 28 to 35.

Directors

The Directors of the Company during the financial year and for the period up to the date of this Report are:

	Appointment Date	Resignation Date
Robert Dudfield[1]	24 August 2007	10 February 2011
Peter Smith[1]	25 April 2008	5 November 2010
Paul Conroy[1]	22 September 2010	10 February 2011
David Dearie (Managing Director)[2, 3]	5 November 2010	
Lyndsey Cattermole[2, 4]	10 February 2011	
Max Ould (Chairman)[2, 4, 5]	10 February 2011	
Warwick Every-Burns	9 May 2011	
Paul Rayner	9 May 2011	

1. For the whole of the period that Messrs Dudfield, Smith and Conroy were Directors of the Company it was a non-operating subsidiary of Foster's Group and those executives were employees of Foster's Group. They were not separately remunerated for acting as Directors of the Company.
2. The appointments as Directors of Mr Dearie in November 2010, and Mr Ould and Mrs Cattermole in February 2011 were made while the Company was a subsidiary of Foster's Group and in anticipation of the Company's demerger.
3. For the period prior to the demerger of the Company, Mr Dearie was an employee of Foster's Group and was not separately remunerated for acting as a Director of the Company while it was a subsidiary of Foster's Group. Mr Dearie's appointment as Managing Director and Chief Executive Officer become effective upon the demerger of the Company.
4. For the period prior to the demerger of the Company Mrs Cattermole and Mr Ould were Directors of Foster's Group. They were not separately remunerated for acting as Directors of the Company while it was a subsidiary of Foster's Group.
5. Mr Ould's appointment as Chairman become effective upon the demerger of the Company.

Particulars of the current Directors' qualifications, experience and Board Committee responsibilities are detailed on page 11.

Company Secretary

The Company Secretary is Paul Conroy, LLB (Hons), B.Com. He has been TWE's General Counsel and Company Secretary since its listing in May 2011.

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

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 subsequent to the demerger

	Board Meetings[1]		Audit and Risk Committee[1]		Human Resources Committee[1]		Nominations Committee[2]	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Lyndsey Cattermole	2	1	2	2	2	1	-	-
David Dearie	2	2	-	-	-	-	-	-
Warwick Every-Burns	2	2	2	2	2	2	-	-
Max Ould	2	2	-	-	2	2	-	-
Paul Rayner	2	2	2	2	-	-	-	-

1. Shows the number of meetings held and attended by each Director during the period that the Director was a member of the Board or Committee.
2. No meeting of the Nominations Committee (comprised of Mrs Cattermole and Messrs Ould and Rayner) had been convened as at the date of this Report.

Meetings held prior to the demerger

	Board Meetings[1]	
Director	**Held**	**Attended[2]**
Robert Dudfield	7	7
Peter Smith	3	2
Paul Conroy	6	5
David Dearie	8	2
Lyndsey Cattermole	4	4
Max Ould	4	4

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.
2. Meetings of the Company that were held prior to the demerger were generally of a procedural nature, requiring only a quorum to be present.

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.

Principal activities

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

Dividends

Since the end of the financial year, the Directors have declared a final dividend of 6.0 cents per share franked to 50%, payable on 6 October 2011 to shareholders registered on 7 September 2011.

Future developments

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

Events subsequent to balance date

Subsequent to the financial year end TWE Group management announced an intention to undertake a cost reduction program. Once off costs of between $15 million and $20 million will be incurred in the 2012 financial year as this program is executed.

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 TWE Group, the results of those operations or the state of affairs of the TWE Group in subsequent financial years.

Corporate Social Responsibility

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

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

Further detail on TWE's CSR program, Guiding Principles, achievements and initiatives, and details of the Company's approach to Occupational Health and Safety (OH&S) are detailed on pages 36 to 39 of this Report.

Environmental regulation

Management of environmental regulation is a core element of the TWE CSR program. The Company'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. Our 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 Company'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). TWE will produce its inaugural NGER report as a standalone business under this Act in FY12. The Company's FY11 energy consumption and emissions data up to the demerger date will be reported within the Foster's Group FY11 NGER Report.

TWE's policy is to ensure 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. TWE monitors its operations through a Health, Safety and Environment (HSE) Management System, overlaid with a compliance system overseen by the Audit and Risk Committee. Although the Company's various operations involve relatively low inherent environmental risks, matters of non-compliance are identified from time to time and are corrected. Where required, the appropriate regulatory authority is notified.

During the year under review the Company 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 actions that have been taken.

Non-audit services and auditor independence

The Audit and Risk Committee has evaluated 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 TWE Group has been carried out which would impair its independence as auditor.

PricewaterhouseCoopers did not provide any non-audit services to the TWE Group during the 2011 financial year.

No officer of the Company was a partner or Director of PricewaterhouseCoopers.

The auditor's independence declaration is attached as 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 TWE 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 TWE 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 2011 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 TWE Group companies against any liability arising in or out of the conduct of the business of the TWE 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.

This Directors' Report is made in accordance with a Resolution of the Board of Directors and is signed for and on behalf of the Directors.

Dated at Melbourne 22 August 2011.

Max Ould
Chairman

David Dearie
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION

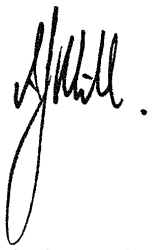
pwc

As lead auditor for the audit of Treasury Wine Estates Limited for the year ended 30 June 2011, 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
22 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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REVIEW OF OPERATIONS

This section of the Report should be read in conjunction with the explanatory comments regarding the demerger that are included in the Directors' Report on pages 22 and 23.

Financial highlights – statutory reporting basis

Net profit attributable to shareholders of Treasury Wine Estates Limited and its controlled entities for the year ended 30 June 2011 was $64.1 million, compared with a loss of $900.6 million for the previous corresponding period.

Total revenues were $1,474.9 million, and EBIT, after a SGARA charge of $24.1 million, was $18.2 million. This compares with prior year revenues of $1,445.4 million and an EBIT loss of $973.3 million, which included a SGARA charge of $66.1 million.

Net debt at financial year end was $71.7 million.

Earnings per share was 18.4 cents.

A reconciliation between the statutory result and pro forma financial information appears on pages 34 and 35.

Pro forma information and review of operations

Set out below are financial summaries and a review of operations for the consolidated entity and each of its four regions, together with a vintage update, summary balance sheet and cash flow statement.

A$m				Pro Forma Constant Currency	
For the Year Ended 30 June	**Pro Forma 2011**	**Pro Forma 2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	**33.2**	35.6	(6.6)%	35.6	(6.6)%
Net sales revenue (NSR)	**1,758.3**	1,890.2	(7.0)%	1,767.7	(0.5)%
NSR/case ($)	***52.90***	*53.11*	*(0.4)%*	*49.67*	*6.5%*
Other revenue	**38.3**	47.6	(19.5)%	46.0	(16.7)%
Total revenue	**1,796.6**	1,937.8	(7.3)%	1,813.7	(0.9)%
Cost of sales	**(1,165.4)**	(1,299.5)	10.3%	(1,230.4)	5.3%
Gross profit	**631.2**	638.3	(1.1)%	583.3	8.2%
Gross profit/case ($)	***18.99***	*17.93*	*5.9%*	*16.39*	*15.9%*
Gross profit margin	***35.9%***	*33.8%*	*2.1pts*	*33.0%*	*2.9pts*
Cost of doing business	**(436.0)**	(435.7)	(0.1)%	(410.7)	(6.2)%
Cost of doing business margin	***24.8%***	*23.1%*	*(1.7)pts*	*23.2%*	*(1.6)pts*
EBITS	**195.2**	202.6	(3.7)%	172.6	13.1%
EBITS margin	***11.1%***	*10.7%*	*0.4pts*	*9.8%*	*1.3pts*
SGARA	**(24.1)**	(18.0)	(33.9)%	(17.7)	(36.2)%
EBIT	**171.1**	184.6	(7.3)%	154.9	10.5%
EBIT margin	***9.7%***	*9.8%*	*(0.1)pts*	*8.8%*	*0.9pts*

Exchange rates: Average exchange rates used for profit and loss purposes in fiscal 2011 are: $A1 = $US 0.9876 (2010: $A1 = $US 0.8814), $A1 = GBP 0.6205 (2010: $A1 = GBP 0.5579). Period end exchange rates used for balance sheet items in fiscal 2011 are: $A1 = $US 1.069 (2010: $A1 = $US 0.8500), $A1 = GBP 0.6650 (2010: $A1 = GBP 0.5646).

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

SGARA: Australian Accounting standard AASB141 'Agriculture'.

The 2010 pro forma financial information includes amounts in Other revenue, primarily relating to the distribution of Foster's Group beer, cider and spirits portfolio in New Zealand, that were not included in the TWE pro forma financial information presented in the demerger Scheme Booklet. The inclusion of these amounts in Other revenue has not resulted in a change to EBITS from that presented in the demerger Scheme Booklet.

Pro forma EBITS of $195.2 million was 3.7% below the prior year. Exchange rate movements were a major factor, reducing EBITS by approximately $30 million, with the most significant impacts in the Americas and EMEA regions.

On a constant currency basis, net sales revenue was similar to the prior year and EBITS increased 13.1%. Three of the four regions – ANZ, Americas and Asia – reported higher EBITS, while EMEA earnings were in line with the prior year.

The second half of fiscal 2011 was the third consecutive half in which the TWE Group delivered pro forma constant currency EBITS ahead of the prior period. However, the rate of growth moderated with the Americas affected by inefficiencies from lower volume, and EMEA affected by lower sales in the higher margin Nordic markets. ANZ and Asia performed strongly throughout the year.

Total sales volume declined 6.6% primarily as a result of reduced promotional activity and price support across the Commercial wine portfolio in the Americas. Volume in the Americas declined 11.2%. In EMEA volume declined 3.8% and in ANZ volume was marginally below the prior year. In Asia, volume increased 10.5% on the prior year with volume in China increasing by 37.6%.

On a constant currency basis, pro forma net sales revenue per case in all regions was ahead of the prior period and benefited from strong volume growth in Luxury wines, price increases on a range of products, premiumisation initiatives across all tiers, and ongoing initiatives to realign promotional investment to support growth in higher margin products. On a constant currency basis, net sales revenue per case increased 6.5% for the year, and in the second half increased 9.7%.

Other revenue was $38.3 million and includes $30.4 million relating to the distribution of Foster's Group's beer, cider and spirits brands in New Zealand. This distribution arrangement contributed approximately $1 million to EBITS in fiscal 2011.

On a constant currency basis, total cost of sales declined 5.3% with the impact of lower volume partially offset by higher cost of sales per case. Adjusting for mix, cost of sales per case was marginally ahead of the prior year.

Gross profit margin improved 2.1 percentage points and on a constant currency basis improved 2.9 percentage points. The improvement in gross profit margin was primarily driven by improving sales mix and price.

On a constant currency basis, cost of doing business increased 6.2%, and as a percentage of net sales revenue, increased 1.6 percentage points to 24.8%. The key contributors to the increase were a 6.0% increase in advertising and promotion investment, and investment in sales and marketing overheads in ANZ and Asia to support growth initiatives.

The EBITS sales margin increased 0.4 percentage points, and 1.3 percentage points on a constant currency basis.

SGARA was a $24.1 million expense and was impacted by lower production at Company-owned vineyards.

Australia and New Zealand (ANZ)

A$m				Pro Forma Constant Currency	
For the Year Ended 30 June	**Pro Forma 2011**	**Pro Forma 2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	**7.8**	7.9	(1.2)%	7.9	(1.2)%
NSR	**577.9**	554.5	4.2%	552.6	4.6%
NSR per case (A$)	***73.75***	*69.92*	*5.5%*	*69.68*	*5.8%*
EBITS	**96.3**	84.1	14.5%	85.1	13.2%
EBITS margin	***16.7%***	*15.2%*	*1.5pts*	*15.4%*	*1.3pts*

The ANZ region delivered strong growth, with pro forma EBITS increasing by 14.5%. The performance in ANZ benefited from strong execution, continued supply improvements, dedicated customer partnering and better planning and internal processes.

Pro forma volume and net sales revenue for 2010 include amounts relating to tail brands transferred to the Vok joint venture and the terminated Riccadonna distribution in Australia. Volume of continuing brands in ANZ increased 4.1% with net sales revenue up 9.3%, on a constant currency basis.

In Australia, volume of continuing brands increased 3.0% with net sales revenue up 8.8%. TWE's continuing brand portfolio in Australia grew volume ahead of wine category growth of approximately 2%[1], with volume growth in all major channels and across a broad range of brands. Outstanding volume growth came from Pepperjack, up 39%, Devil's Lair and Lindeman's Early Harvest, both up by more than 25%, and Penfolds, up more than 10%.

In New Zealand, TWE's portfolio delivered an excellent performance with volume growth of more than 15% supported by new product launches. A focus on expanding the New Zealand portfolio beyond sauvignon blanc into other varietals and differentiating across sales channels were key contributors to the result. The New Zealand business also set new records for export volume to other TWE markets, up 26.5%.

On a constant currency basis, net sales revenue per case for the continuing brand portfolio in ANZ increased 5.7%, and in the second half increased 10.8%. Net sales revenue per case benefited from strong growth in Luxury volume and price increases on a number of brands.

On a constant currency basis, ANZ EBITS increased 13.2% to $96.3 million. EBITS benefited from continuing brand volume growth, and positive price and mix trends. Overheads and advertising and promotion investment were increased to support top line growth.

Americas

A$m				Pro Forma Constant Currency	
For the Year Ended 30 June	**Pro Forma 2011**	**Pro Forma 2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	**15.9**	17.9	(11.2)%	17.9	(11.2)%
NSR	**794.7**	933.0	(14.8)%	842.6	(5.7)%
NSR per case (A$)	***49.89***	*52.00*	*(4.1)%*	*46.96*	*6.2%*
EBITS	**92.2**	107.4	(14.2)%	85.2	8.2%
EBITS margin	***11.6%***	*11.5%*	*0.1pts*	*10.1%*	*1.5pts*

A softer second half performance in Americas followed a very solid first half. While the focus on mix improvement and profitable growth delivered strong growth in Luxury and emerging Premium brands, performance in the below US$8 per bottle price points was below expectations.

Against the backdrop of an uncertain consumer environment and increased levels of competitor discounting through the second half, reduced promotional investment across the Commercial wine portfolio resulted in a larger than anticipated decline in volume. Stabilising the volume of the Commercial wine portfolio through more focused spend is a key priority in fiscal 2012.

US distributor inventories are at similar levels to the prior year. Volume in the US declined 12.3% and 2.7% in Canada.

Australian Foundation and US Tactical brand volume declined by approximately 19%, primarily as a result of reduced levels of promotional activity, and domestic Foundation brand volume declined 2.4%. Beringer volume declined 3.1% and included the impact of de-emphasised products under a new simplified brand architecture. Within the new Beringer brand architecture, the Light & Refreshing and Luxury segments performed well, while Founders' Estate was below expectations.

Volume of emerging Premium brands, all of which retail above US$8 per bottle, increased 6.4%. Volume growth was driven by brands such as Cellar No. 8, Colores del Sol, and the recently released Sledgehammer and Santa Barbara Collection brands.

1. Source: Datamonitor.

TWE's Luxury portfolio volume increased 7.7%. A new dedicated Luxury sales team, the Heirloom Wine Group, is delivering real benefits in this critical segment, driving growth through more personalised selling and broad-based distribution gains. Penfolds, Beringer Luxury, Stags' Leap and Etude brands performed strongly.

On a constant currency basis, net sales revenue per case increased 6.2%, benefiting from Luxury volume growth and price increases on Penfolds and Beringer, and reduced levels of promotional activity.

Exchange rate movements reduced Americas EBITS by approximately $22 million.

On a constant currency basis, EBITS in the Americas increased 8.2% to $92.2 million. Strong first half EBITS growth was partially offset by a 17.7% decline in second half EBITS on a constant currency basis. Cost of sales increased in the second half as a result of lower than anticipated volume and higher Californian vintage costs.

Europe, Middle East and Africa (EMEA)

A$m				Pro Forma Constant Currency	
For the Year Ended 30 June	**Pro Forma 2011**	**Pro Forma 2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	**8.5**	8.9	(3.8)%	8.9	(3.8)%
NSR	**303.8**	336.4	(9.7)%	306.8	(1.0)%
NSR per case (A$)	***35.68***	*38.01*	*(6.1)%*	*34.66*	*2.9%*
EBITS	**6.5**	15.0	(56.7)%	6.5	-
EBITS margin	***2.1%***	*4.5%*	*(2.4)pts*	*2.1%*	-

In EMEA, market conditions remain challenging. The retail environment in most markets is extremely competitive and currency movements have reduced profitability. As a result, TWE changed its approach by reducing deep discounts and, where appropriate, taking price increases. As expected, volume declined, however net sales revenue per case increased on a constant currency basis.

The UK and Ireland delivered a solid improvement in performance, and while volume declined, net sales revenue per case benefited from price increases in the Luxury segment, improvements in promotional efficiency and innovation at premium price points.

Within the Nordics, TWE maintained its 38.8% value share[2] of the Australian category in Sweden and continues to hold more than 50% value share[3] of the Australian category in Norway. However, TWE's volume in Sweden and Norway was below the prior year as the monopoly retailers reduced the number of tenders in the Australian category. The volume decline in Sweden and Norway was partially offset by strong growth in Finland and the Baltic region. Net sales revenue per case was also impacted by lower volume in the higher value Swedish and Norwegian markets.

In Continental Europe, strong volume growth in Penfolds, Wolf Blass and Beringer was offset by declines in lower margin products following a reduction in promotional activity.

Exchange rate movements reduced EMEA EBITS by approximately $8.5 million.

On a constant currency basis, EMEA EBITS was in line with the prior comparative period, with second half earnings $2.5 million below the prior period. EBITS in the second half was impacted by lower volume in the higher value Nordic markets.

Asia

A$m				Pro Forma Constant Currency	
For the Year Ended 30 June	**Pro Forma 2011**	**Pro Forma 2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	**1.0**	0.9	10.5%	0.9	10.5%
NSR	**81.9**	66.3	23.5%	65.7	24.7%
NSR per case (A$)	***85.56***	*76.52*	*11.8%*	*75.83*	*12.8%*
EBITS	**27.4**	23.1	18.6%	23.0	19.1%
EBITS margin	***33.5%***	*34.8%*	*(1.3)pts*	*35.0%*	*(1.5)pts*

2. Systembolaget: MAT to 30 June 2011.

3. Vinmopolet: MAT to 30 June 2011.

In Asia, the consumer spending environment remains strong and TWE again performed well. TWE's growth in the region was driven by a strategy of consistent and measured investment to build brands, relationships and organisational capability. Advertising and promotional spend was more than doubled during the period and focused on long term brand building activities to support Foundation Brands. TWE also expanded in-market sales and marketing teams to execute on brand building activities, and intends to further increase its investment in the coming year.

Volume increased 10.5% and, on a constant currency basis, net sales revenue increased 24.7% with EBITS increasing 19.1%.

Volume growth was driven by strong gains across premium brands like Penfolds and Beringer. Volume in China grew 37.6%.

On a constant currency basis, net sales revenue per case increased 12.8% on the back of higher demand for Luxury wines.

EBITS increased 19.1% on a constant currency basis. EBITS margin was slightly below last year as investment in long term brand building activities and organisational capability increased.

Australian and Californian vintage update

Total industry intake in the Australian 2011 vintage increased 1% to 1.6[4] million tonnes. The vintage coincided with higher than average rainfall and challenging growing conditions across key regions in much of South Eastern Australia. This increased the incidence of disease, and while overall industry grape production was similar to the prior year, there was significantly reduced availability of quality fruit. Growing conditions in Western Australia were generally favourable.

Throughout the vintage, TWE maintained its rigorous quality standards, rejecting disease and rain affected fruit produced by contracted growers and at Company-owned vineyards. To offset this, additional grape and bulk wine supply was secured from unaffected vineyards and regions, and bulk wine from the 2010 vintage purchased to extend the 2010 release programs of a number of products.

Overall, TWE emerged from the vintage having secured the vast majority of its white wine and Commercial red wine requirements. TWE also secured the majority of its Premium red wine requirements, and sufficient quantities of suitable quality fruit to produce 2011 vintages for the majority of its Luxury red wines, including Penfolds Grange. However, the volume of Luxury red wine and a number of Premium red wine products is expected to be below average. TWE will look to increase its intake in the 2012 vintage, assuming a more normal vintage.

The 2011 Californian vintage commenced recently and expectations are for a lower yielding vintage as a result of mild growing conditions.

Balance sheet

The summary balance sheet below presents the financial position of the TWE Group as at 30 June 2011 prepared on a statutory reporting basis and the position as at 30 June 2010 prepared on a pro forma basis.

A$m As at 30 June	Statutory 2011	Pro Forma 2010	Change
Receivables*	**452.6**	437.1	15.5
Inventories	**965.2**	1,179.8	(214.6)
Property, plant and equipment	**912.7**	1,008.3	(95.6)
Agricultural assets	**180.5**	193.7	(13.2)
Intangible assets	**927.1**	986.5	(59.4)
Other assets	**22.0**	34.9	(12.9)
Total operating assets*	**3,460.1**	3,840.3	(380.2)
Payables*	**369.2**	430.2	(61.0)
Provisions	**51.4**	71.6	(20.2)
Other liabilities	**0.6**	-	0.6
Total operating liabilities*	**421.2**	501.8	(80.6)
Net operating assets*	**3,038.9**	3,338.5	(299.6)
Net debt	**71.7**		
Net tax (assets)/liabilities	**90.4**		
Net assets*	**2,876.8**		

* Excludes receivables from and payables to Foster's Group in 2010.

4. Source: Winemakers' Federation of Australia June 2011 Vintage Report.

Net operating assets declined by approximately $300 million with the impact of exchange rate movements on inventory, property, plant and equipment, agricultural and intangible assets the major contributor.

In addition to the impact of exchange rate movements, the $214.6 million decline in inventory also reflects reduced intake in the Australian 2011 vintage.

Intangible assets include a $50.6 million information technology asset recognised under the demerger information technology arrangements with Foster's Group.

Payables declined by $61.0 million as a result of exchange rate movements and lower payables in the ANZ region. Under the demerger, Foster's Group paid an adjusting amount representing the net value of certain wine related trade receivables and trade payables retained by Foster's Group in the ANZ region. As a result of this arrangement, TWE's trade receivables and payables in the ANZ region immediately after the demerger were nil. Subsequent to the demerger, trade receivables have largely returned to average levels. However, trade payables at 30 June 2011 remain below average levels.

Net debt at 30 June 2011 was $71.7 million, comprised of $64.8 million in cash and borrowings of $136.5 million.

Gross debt consisted of US$147 million drawn under a A$500 million committed multi-currency revolving debt facility. This amount has been drawn at floating US dollar interest rates. Under this facility, TWE has committed undrawn facilities of A$362.5 million.

Cash flow and capital expenditure

A$m For the Year Ended 30 June	Pro Forma 2011	Pro Forma 2010	Change
EBITDAS	**267.0**	297.8	(10.3)%
Change in working capital	**9.5**	125.3	
Other items	**(5.7)**	(15.7)	
Net operating cash flows before financing costs, tax and material items	**270.8**	407.4	(33.5)%
Capital expenditure	**(71.1)**	(78.1)	
Asset sale proceeds	**2.7**	66.7	
Net operating cash flows after net capital expenditure, before financing costs, tax and material items	**202.4**	396.0	(48.9)%
Cash conversion	**101.4%**	136.8%	(35.4)pts
Material item cash flows - Redundancy and restructuring provision payments	**(20.7)**	(27.7)	
Cash conversion including material items	**93.7%**	127.5%	(33.8)pts

The 2010 pro forma cash flow information includes $3.1 million of operating cash flow relating to the distribution of Foster's Group beer, cider and spirits products in New Zealand, and $0.4 million of capital expenditure. These items were not included in the TWE pro forma financial information presented in the demerger Scheme Booklet.

Operating cash flow before interest and tax was $270.8 million, and cash conversion was 101.4%.

Cash conversion in the prior period benefited from a reduction in inventory and initial benefits from the implementation of improved debtor and creditor management practices in the Americas.

In fiscal 2011, cash conversion benefited from a reduced intake in the 2011 Australian vintage. However this benefit was largely offset by a reduction in payables as a result of the working capital settlement as part of the demerger arrangements with Foster's Group.

Capital expenditure was $71.1 million, with the major items relating to purchases of oak and incremental upgrades to winery and packaging facilities. Overall, capital expenditure was similar to depreciation in fiscal 2011.

Material item cash payments of $20.7 million relate to initiatives announced by Foster's Group in February 2009.

Reconciliation between statutory result and pro forma financial information

$Am For the Year Ended 30 June 2011	Statutory	Entities not Previously in TWE Group	Wine Business in Beer Entities	Corporate Costs	Logistics Costs	Revaluation of Foreign Currency Loans	Pro Forma
NSR	1,461.8	142.5	154.0	-	-	-	1,758.3
Other revenue	13.1	22.5	2.7	-	-	-	38.3
Total revenue	**1,474.9**	**165.0**	**156.7**	**-**	**-**	**-**	**1,796.6**
Cost of sales	(1,078.4)	(113.8)	18.3	-	8.5	-	(1,165.4)
Gross profit	**396.5**	**51.2**	**175.0**	**-**	**8.5**	**-**	**631.2**
Other income	1.7	-	-	-	-	-	1.7
Selling expenses	(127.8)	(18.2)	(57.7)	-	-	-	(203.7)
Marketing expenses	(80.8)	(16.1)	(35.1)	-	-	-	(132.0)
Administration expenses	(33.6)	(14.4)	(27.8)	(24.5)	-	-	(100.3)
Other expense	(113.5)	12.5	-	-	-	98.2	(2.8)
Associates profit	(0.2)	-	1.3	-	-	-	1.1
EBITS	**42.3**	**15.0**	**55.7**	**(24.5)**	**8.5**	**98.2**	**195.2**
SGARA	(24.1)	-	-	-	-	-	(24.1)
EBIT	**18.2**	**15.0**	**55.7**	**(24.5)**	**8.5**	**98.2**	**171.1**

Entities not in TWE Group/wine business in beer entities

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

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

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

Corporate costs

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

Logistics costs

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

TWE recognises that sustainable business performance is intrinsically linked with how the TWE Group interacts with its communities and the environment. As such, TWE recognises its social and environmental responsibilities in both its strategic business objectives and its Vintrepreneur (people) behaviours.

TWE's Corporate Social Responsibility (CSR) program and associated initiatives directly address these responsibilities. The key focus areas within the CSR program are detailed in the table below.

Focus areas within the CSR program

Environment

- Legislative compliance
- Energy and water efficiency
- Waste reduction carbon emissions
- Climate change
- Prevention of pollution
- Biodiversity
- Environmental management practices of our operations and those of our suppliers
- Packaging minimisation and recycling

Social

- Ethical sourcing and practices of our suppliers
- Community engagement
- Responsible consumption

Workplace

- Occupational health and safety performance within our operations
- Legislative compliance
- Workplace diversity
- Equal opportunities
- Labour practices
- Wellness

The CSR program has been designed to complement TWE's new-found independence as a standalone wine company; it is TWE's prior achievements in areas such as safety and the environment that have enabled TWE to take such an ambitious forward looking approach.

TWE's FY11 achievements across key environmental and social performance indicators are detailed in the table below. The CSR data presented in this Report covers the TWE Group's operations globally, unless otherwise stated. TWE continues to refine its data collection process, with the Gabbiano winery and US company-owned vineyards reporting in accordance with TWE protocols for the first time in FY11. The production figures also include a US cooperage business, which was sold during the course of FY11 and ceased reporting as part of the Foster's Group in December 2010.

Environment		**FY11**
Metric	**Unit of Measure**	
Total energy consumed[1]	GJ	584,588
Total water consumed[2]	ML	15,482
Total CO_2-e emissions[3]	Tonnes CO_2-e	67,579
Total solid waste generated[4]	Tonnes	51,535
% Solid waste to recycling[5]	%	93.39%
Social		**FY11**
RCIFR[6]	RCI/million hours worked	17.9
% Women in the workforce	%	37%

1. Includes all wineries, packaging centres and company-owned vineyards. Does not include energy consumed by offices, cellar doors or tool of trade fleet.
2. Includes all wineries, packaging centres and company-owned vineyards. Does not include water consumed by offices or cellar doors.
3. 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.
4. Includes all wineries, packaging centres and company-owned vineyards. Does not include waste generated by offices or cellar doors.
5. Includes all wineries, packaging centres and company-owned vineyards. Does not include waste generated by offices or cellar doors.
6. Reportable case injury frequency rate.

Since FY08 TWE's winery and packaging operations[1] have reduced their energy intensity[2] by approximately 10%, water intensity by 2.7% and CO_2-e emissions per case produced by 22%. Improvements in energy and water performance have largely been driven by efficiency improvements in plant operations. TWE's group carbon emissions have been significantly reduced through the solar arrays in our Californian wineries, which generated approximately four million kWh in FY11.

Under the direction of the Company's Occupational Health and Safety (OH&S) Council, chaired by TWE's Company Secretary and comprised of senior representatives from each of the production regions, TWE has enjoyed solid results in workplace safety, with the TWE Group recording no deaths or permanently disabling injuries in FY11. The TWE regional OH&S action plan sets the course for delivery against the objectives of zero harm and zero injury. In FY11 TWE continued to focus on several significant hazard reduction initiatives. Of note were improvements to machine guarding on over 100 packaging machines within TWE's manufacturing network and TWE's continued improvement in compliance with the Health, Safety and Environment (HSE) Management System – as demonstrated through the HSE Audit Program which sees the TWE Group's operations globally audited annually for compliance against the TWE HSE Management System. Details on audit results, incidents, trends and other relevant information is shared with senior management, the OH&S Council and the Board on a monthly basis to ensure that TWE is monitoring and continuously improving the OH&S program, culture and workplaces.

In establishing the CSR program, a number of initiatives were undertaken that will set the course for the future. Within TWE's risk management process, the CSR risks facing the business have been identified. These are categorised as risks arising from regulatory compliance; those risks present within the TWE Group's operations; physical risks arising from varying climatic conditions and weather events; environmental, social and ethical risks within the TWE Group's supply network; and those risks present within the marketplace and issues that may negatively impact TWE's external reputation. It is also recognised that within these categories, there are substantial opportunities for TWE to be proactive and realise further benefits.

In establishing TWE's CSR program, a preliminary internal assessment of key stakeholders and their CSR concerns was undertaken across key regions. The perspectives of TWE employees, investors and suppliers, customers and consumers, regulatory authorities and non-government organisations, as well as industry peers, competitors and the broader community were considered.

The resulting CSR program focuses on managing the social and environmental issues identified as important to these stakeholder groups. It extends across the value chain, and more broadly across the wine industry, with the aim of leveraging opportunities for TWE. To achieve these ends, CSR Guiding Principles have been developed. These are outlined on the following page and articulate what TWE stands for, and how TWE strives to operate across its global communities.

1. These figures exclude our Gabbiano winery in Italy which only commenced reporting according to TWE protocols in FY11.
2. Energy and water intensity is defined as the energy and water required by all wineries and packaging centres to produce a finished case.

TWE's CSR Guiding Principles

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're 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 don't want any waste, anywhere.

The TWE Global CSR Council is responsible for overseeing how TWE integrates its CSR Guiding Principles with its business processes. The Council is chaired by the CEO and is comprised of senior representatives from each region and various functional areas of the business. It is supported by a number of auxiliary groups that focus on CSR elements within our supply chain; TWE's environmental performance; community engagement programs, and the activation of CSR initiatives within the marketplace.

TWE's long standing commitment to workplace safety and employee management is addressed by the OH&S Council. The Human Resources Committee of the Board is responsible for overseeing the overall human resources strategy, including remuneration, workplace policies and diversity.

Underpinning the CSR Guiding Principles is a set of initiatives that will see CSR measurably embedded in each area of the business to both effectively manage the CSR risks identified, and also leverage opportunities.

Within the CSR environmental program, TWE has developed a range of initiatives. Of note is the sustainable sourcing of its grape supplies; its assessment of potential pass through costs from its suppliers as a result of the proposed carbon pricing mechanism in Australia; its focus on improving the water and energy efficiency of its operations; its continuing biodiversity initiatives within company-owned vineyards; and the integration of lifecycle analyses within the new product development and packaging selection processes.

The CSR community engagement program has been designed to focus on core themes of social significance to TWE globally, as well as those areas of regional importance to local stakeholders and employees. The core global themes identified are responsible consumption of our products, food and water. These have been selected as they present a natural synergy with TWE's business objectives.

The FY12 OH&S strategy will see a continued focus on high consequence hazards, reducing the frequency of incidents and internal engagement on safety and wellness. Central to this will be the validation of the critical controls in place to manage ammonia refrigerants, machine guarding, electrical hazards and forklifts. Employee-facing initiatives will continue to evolve, as TWE continues to focus on people development and diversity.

CSR key performance objectives have been integrated in TWE employee performance plans where appropriate. Progress against CSR performance objectives and targets will be reported to the Board and the Wine Leadership Team. TWE has established standalone environmental and OH&S performance metrics databases and has become a signatory to both the United Nations Global Compact and the Australian Packaging Covenant. TWE has commenced its journey towards integrated reporting and will document progress on this through the TWE balanced scorecard and periodic stakeholder communications.

Further details on TWE's initiatives and programs can be found at www.tweglobal.com.

REMUNERATION REPORT

The Directors of Treasury Wine Estates Limited present the Remuneration Report of the Company and its controlled entities for the financial year ended 30 June 2011 prepared in accordance with the requirements of the *Corporations Act 2001*.

The Remuneration Report forms part of the Directors' Report.

Executive summary

Treasury Wine Estates (TWE) – a remuneration snapshot

From a remuneration perspective, 2011 has been an eventful year for the Company. As an independently listed organisation, TWE has implemented remuneration governance processes, policies and structures (recognising global best practice) whilst transitioning away from the Foster's Group historical remuneration framework. The following table provides a summary of the key achievements to date (which are further elaborated on within this Report):

Area	Achievements
Remuneration Policy and framework	Completion of a detailed review of the overall remuneration framework and arrangements of the Company. This has resulted in the implementation of a remuneration framework in the Company post demerger which is: • customised to the Company's future strategic objectives; • aligned to best practice and the market; • effectively links organisational performance and Nominated Executive reward whilst still driving the retention of key employees; and • simple to administer and understand. Design and implementation of a remuneration policy that is customised for the Company and focused on achieving appropriate reward outcomes for achieving TWE's performance objectives.
Short term incentive structure	Design and implementation of a short term incentive structure that is simple to administer and understand and focuses on creating a direct link between company performance, executive performance and reward. The short term incentive structure has also been designed to create interdependencies between regions and to focus on the Company's global performance.
Long term incentive structure	Design and implementation of a long term incentive structure that drives long term business performance and results in long term shareholder benefits. In the context of the 'transitional' period following the demerger, granting of 'Demerger Awards' to key executives to encourage immediate alignment of shareholder and executive interests and to facilitate retention of executives through the demerger and over the first two years as a standalone company.
Share plans	Creation and implementation of flexible and customised share plan arrangements, which are in line with global market practice, link performance, shareholder interests and reward, as well as promoting retention of key executives.
Remuneration arrangements	Successful alignment of employment and remuneration arrangements (where applicable) for employees transferring from Foster's Group to TWE, thereby reducing the risk of losing high performing/potential talent and reducing redundancy exposure.

Section 1: The Human Resources Committee and TWE's Remuneration Policy

Role of the Human Resources Committee

The Human Resources Committee was established, following the demerger, in part, to assist the Board to ensure that the Company has and will develop and implement remuneration policies that:

- facilitate achievement of the Company's strategic objectives;
- are aligned with best practice; and
- fulfil the Board's responsibilities to shareholders.

In developing a remuneration policy and framework that is appropriate for the Company, the Human Resources Committee considered arrangements that were appropriate for the strategic needs of TWE as a separately listed entity taking into account the size and scale of the organisation.

The TWE Remuneration Policy

The Board has approved a remuneration policy which ensures that the organisation is competitive (in the markets in which the Company operates), performance focused (i.e. clearly drives the right performance outcomes), clearly links appropriate reward with desired tangible business performance, and is simple to administer and understand by executives and shareholders. Specifically, the TWE Remuneration Policy aims to:

- attract and retain high calibre employees by providing overall levels of remuneration that are competitive in the markets in which the Company operates;
- motivate employees towards achieving high performance objectives by directly linking reward and individual effort; and
- align remuneration outcomes directly with the achievement of short and long term performance objectives of the Company as well as shareholder interests.

TWE's Remuneration Policy is focused on ensuring that executives with the optimal skills are attracted, retained and motivated to deliver exceptional business results and shareholder benefits, whilst being rewarded appropriately.

In matters relating to executive remuneration, the Board (through the Human Resources Committee) will take advice directly from consultants, where applicable, to ensure that CEO and executive reward is appropriately structured. In line with current legislative requirements, the Human Resources Committee is currently engaged in a process of evaluating remuneration consulting service providers to utilise on an ongoing basis with respect to advice regarding executive remuneration.

Elements of TWE's executive remuneration

An overview of the elements of executive remuneration is presented in Table 1.1 below.

Table 1.1: Overview of executive remuneration

Elements of Remuneration	Summary	Discussion in Remuneration Report
Fixed remuneration	Fixed remuneration is set at a level that is aligned to market benchmarks and reflective of the executive's responsibilities, qualifications, experience, location and performance.	Section 2(A)
Short term incentives	The short term incentive arrangements provide eligible executives with the opportunity to earn certain cash payments (a portion of which is delivered in shares that are restricted for a specified period of time (Restricted Shares)) if certain financial hurdles and agreed personal objectives (KPOs) are achieved. The purpose of TWE's short term incentives is to link short and medium term company performance to executive reward outcomes.	Section 2(B)
Long term incentives	Participation in the Company's long term incentive arrangements give executives the opportunity to acquire TWE shares (Shares) based on satisfying specified long term shareholder wealth-creating performance conditions.	Section 2(C)
Retention arrangements	Eligible executives participate in retention arrangements in the form of Restricted Shares to ensure that key executive skills are attracted and retained within the organisation and that executives are motivated to deliver exceptional shareholder results.	Section 2 (C)

Key management personnel and Nominated Executives of TWE

Key management personnel (KMP) comprise those persons with authority and responsibility for planning, directing and controlling the activities of the Company and the TWE Group. This includes the Non-executive Directors of the Company.

In this Report, 'Nominated Executives' refers to executives identified as KMP (excluding the Non-executive Directors) and those other executives who fall within the five most highly remunerated executives of the Company or who are otherwise being disclosed voluntarily.

A list of all Non-executive Directors and Nominated Executives during the year, up until the date of signing the report, is presented in Table 1.2 below.

Table 1.2: Non-executive Directors and Nominated Executives

Name	Title
Non-executive Directors[1]	
MG Ould	Chairman
ML Cattermole	Non-executive Director
WL Every-Burns	Non-executive Director
PA Rayner	Non-executive Director
Nominated Executives	
DCM Dearie	Chief Executive Officer
M Fleming	Chief Financial Officer
S Brauer	Managing Director: Americas
PR Jackson	Managing Director: EMEA
AN Davie	Managing Director: Asia
B Williams[2]	Chief Human Resources Officer
PD Conroy[2]	General Counsel and Company Secretary

1. The following persons were Foster's Group executives serving on the Board of Treasury Wine Estates Limited whilst it was a subsidiary of Foster's Group (prior to the demerger). They were not separately remunerated for this role:
   - Mr R Dudfield (from 1 July 2010 to 10 February 2011).
   - Mr P Smith (from 1 July 2010 to 5 November 2010).
   - Mr PD Conroy (from 22 September 2010 to 10 February 2011).
   - Mr DCM Dearie (from 5 November 2010 to 8 May 2011).
2. Mr Williams and Mr Conroy represent the Nominated Executives who either fall within the five most highly remunerated executives of the Company or who are otherwise being disclosed voluntarily.

Section 2: Executive Remuneration Framework

Policy and approach to setting remuneration

TWE's remuneration policies and practices are benchmarked using information and advice from external, independent consultants. In general, the Company sets remuneration levels against a combination of global corporations across all industries, FMCG/tobacco and beverage companies (where there is sufficient market depth) and specialised wine/spirit companies (where data is available) in countries where the Company operates.

The objective of the Company's Remuneration Policy is that remuneration levels properly reflect the duties and responsibilities of the executives. For fixed remuneration, the policy aims to deliver around market median.

In determining Nominated Executives' remuneration for the remaining portion of the 2011 financial year (FY11) following the demerger and for the 2012 financial year (FY12), the following benchmarking process was undertaken:

- the Chief Executive Officer role was independently 'sized' and the appropriate remuneration benchmarked by the Hay Group utilising their market data;
- all Nominated Executive roles were independently 'sized' and the appropriate remuneration benchmarked by the Hay Group utilising their market data. The remuneration for these Nominated Executive roles were then compared to roles of similar 'size' and roles with similar functions utilising Hay market data to ensure appropriateness; and

- remuneration of the CEO and Nominated Executives in ASX listed organisations with market capitalisation marginally less than/greater than that of TWE were selected and analysed for validation of the above results.

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 Company aims to deliver rewards around the 75th percentile of benchmarked companies. The Board also considers it important that key employees have ongoing share ownership in the Company and thus all variable risk components incorporate some level of share ownership into the benefit delivered.

In line with TWE's Policy, these remuneration levels and arrangements will be reviewed annually to ensure alignment to the market and the Company's stated objectives.

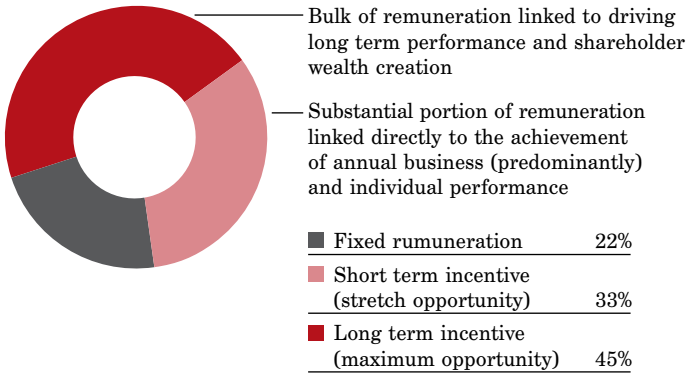
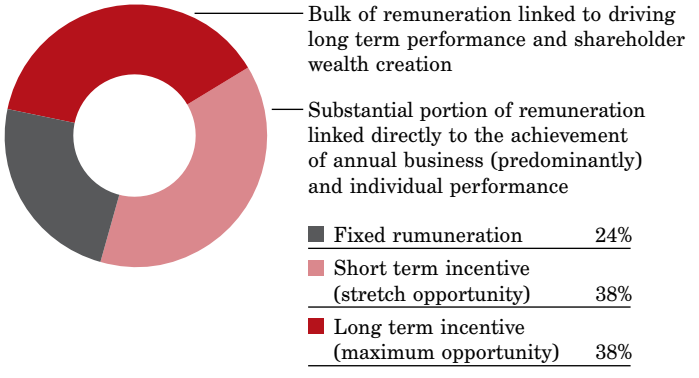
Remuneration structure

Remuneration packages are structured to ensure that a significant part of an executive's reward depends on achieving business objectives and realising benefits for shareholders. Accordingly, the proportion of remuneration that is 'at risk' (being the short 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, with exceptions made to cater to markets where local practice places greater emphasis on certain elements.

The actual remuneration mix for Nominated Executives will vary depending on the level of performance achieved at an organisational, business unit and individual level.

Diagram 2.1 shows the annual remuneration mix (at stretch performance) for Nominated Executives which applied from demerger.

Diagram 2.1: Remuneration mix for Nominated Executives post demerger

Nominated Executive	Annual Fixed Remuneration	Remuneration Mix
DCM Dearie Chief Executive Officer	$1,350,000	
M Fleming Chief Financial Officer	$720,000	
S Brauer[1] Managing Director: Americas	$498,380	
PR Jackson[2] Managing Director: EMEA	$395,855	
AN Davie Managing Director: Asia	$461,310	
B Williams Chief Human Resources Officer	$468,000	
PD Conroy General Counsel and Co Secretary	$514,800	

1. S Brauer is remunerated in USD. His annual fixed remuneration has been converted to AUD utilising an annual averaged FX rate of 1.0196.

2. PR Jackson is remunerated in GBP. His annual fixed remuneration has been converted to AUD utilising an annual averaged FX rate of 1.6197.

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

A. Fixed remuneration

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

- the market median for comparable organisations (global organisations across all industries, FMCG/tobacco and beverage companies (where there is sufficient market depth) and specialised wine/spirits companies (where data is available) in countries where the Company operates);
- the scope of the role; and
- the level of knowledge, skills and experience required of the individual.

Nominated Executives' fixed remuneration is structured as:

- **Total 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 Remuneration. Nominated Executives may also receive non-monetary benefits in addition to their stated Total Remuneration (e.g. wine allocations, event tickets, Fringe Benefits Tax, etc.); 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 Nominated Executives.

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

The Chief Executive Officer, in conjunction with the Human Resources Committee, will review the remuneration of his direct reports and make appropriate recommendation to the Board. The TWE leadership team will review all employee remuneration arrangements annually.

Nominated Executive fixed remuneration was evaluated, benchmarked and adjusted (where appropriate) upon demerger in line with the Company's Remuneration Policy. As such there will be no increase in Nominated Executives' remuneration for FY12.

B. At risk remuneration – short term incentive (STI)

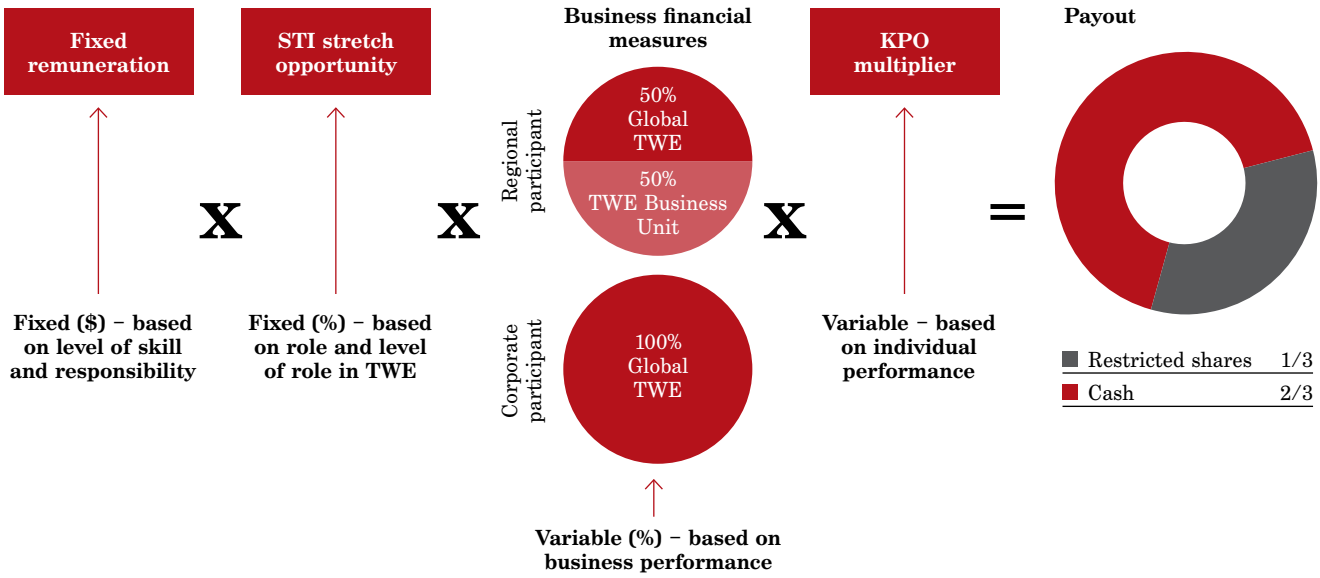
I. Overview, policy and operation

The short term incentive (TWE STI) to be offered by the Company in FY12 has been redesigned to align with the strategic focus of the business to incentivise the Company's management to realise the benefits of the demerger.

The TWE STI is designed to encourage the delivery of specific financial goals and desired behaviours; balance reward, individual effort and Company performance; and ensure simplicity and affordability. To further align executive remuneration with shareholder interests, one third (or such other portion as determined by the Board) of any incentive that vests is delivered as Restricted Shares. The balance of any vested award is delivered as cash.

The Board has approved a short term incentive structure for FY12 that encourages executives to deliver on both business and individual objectives.

Diagram 2.2: TWE STI methodology



The Board considers the TWE STI to be simple to understand, yet effective in providing an ideal balance for rewarding senior executives on both organisational performance as well as individual strategic business-related performance.

Under the TWE STI, vesting is subject to performance against a combination of financial and non-financial (KPO) measures. Specifically with respect to the financial measures, vesting is subject to EBITS (earnings before interest, tax and SGARA) performance. Global EBITS is the sole financial measure for corporate participants whilst a combination of Global EBITS and business unit EBITS is utilised to assess regional participants' performance. The Board chose these financial measures as it considers the profitability of the Company as a critical driver in generating benefits for shareholders, whilst a single metric provides simplicity, aids understanding (by both shareholders and participants) and provides greater clarity between performance and payout.

The KPO component of the TWE STI includes measures designed to ensure that the entire organisation is aligned with desired business outcomes. The TWE STI KPOs include:

- **Strategic measures** – focused on the development and implementation of strategies to ensure the success of the Company in the long term;
- **Process measures** – focused on the development and implementation of processes for TWE to promote efficiency and performance into the future; and
- **People measures** – focused on promoting engagement and creating a high performance culture.

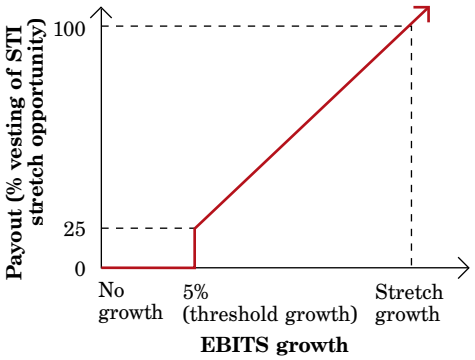
To generate a payment under the TWE STI, prior year EBITS performance must be exceeded (threshold). If prior year EBITS performance is not exceeded, no payments are made (even if KPO performance objectives have been achieved). For regional participants, if the Global EBITS threshold is not achieved, regional participants may still receive up to half of their eligible payment if prior year business unit EBITS is exceeded (provided KPO objectives are met). EBITS performance is calculated at the end of the financial year, and is subject to audit procedures.

If prior year EBITS performance is exceeded, the KPOs are assessed under TWE's Performance Management Framework. 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. The performance with respect to individual KPOs, results in an individual performance multiplier (applied to the financial component). If KPO targets are not achieved, then the multiplier will be 'zero' (i.e. no payment made even if EBITS targets are achieved). If KPO stretch performance is achieved the maximum multiplier will be '1.2' (i.e. 1.2 times).

For stretch performance, executives can earn 150% of fixed remuneration. However, under exceptional EBITS performance, participants can earn in excess of this. As this 'uncapping' of the STI is directly linked to profitability, the Board believes that an 'uncapped' STI will result in exceptional business performance which, in turn, will result in shareholder benefits.

The Board has approved threshold and stretch EBITS growth targets for FY12 as indicated in the EBITS vesting curve below.

Diagram 2.3: EBITS vesting curve*



* 'Global/business unit EBITS growth' represents real growth on an FY11 EBITS base. The actual growth rate objectives (with the exception of threshold) have not been disclosed due to the nature and sensitivity of the measure. The targets and the actual performance against these targets will be disclosed in TWE's FY12 Remuneration Report.

At the start of the financial year, the Human Resources Committee and the Board are presented with the CEO's proposed KPOs for approval. Once approved, the CEO evaluates the KPOs for his direct reports (taking into consideration the Company's objectives, his own KPOs and market practice).

The TWE STI will be paid to Nominated Executives as a combination of cash (two thirds) and shares (one third). The shares are subject to a two year trading restriction while the Nominated Executive remains an employee. If the Nominated Executive is dismissed for cause, tenders his/her resignation, is terminated for performance reasons (as determined by the Board) or commits an act which the Board deems to result in forfeiture, then any shares that are still subject to restrictions will be forfeited.

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 insofar as to permit the executive to participate in the change of control event. Any shares which do not participate in the change of control event will continue to be subject to restrictions until the end of the applicable restriction period.

C. At risk remuneration – Long Term Incentive (LTI) and retention arrangements

The Board has approved the TWE Employee Share Plan (ESP) which is an 'umbrella plan', under which the various TWE share offers are made.

Table 2.1 details the long term incentive and retention framework that has been approved for the Company since its inception as a standalone listed organisation.

Table 2.1: Long term incentive and retention arrangements under the ESP

Component	Description
TWE Long term incentive	
I. Performance Rights component	The Performance Rights component allows the Board to make offers of Performance Rights, subject to specified performance conditions, for the purpose of attracting and motivating key executives and driving long term benefits for shareholders.
Retention arrangements	
II. Targeted Restricted Share component	The Targeted Restricted Share component allows the Board to make offers of Restricted Shares to executives for the purpose of attracting, retaining and motivating key executives within the Company.

I. TWE LTI Performance Rights – (ongoing 'at risk' incentive)

The TWE Long Term Incentive (TWE LTI) component of the ESP has been designed to provide a direct relationship between long term executive performance and long term benefits for shareholders.

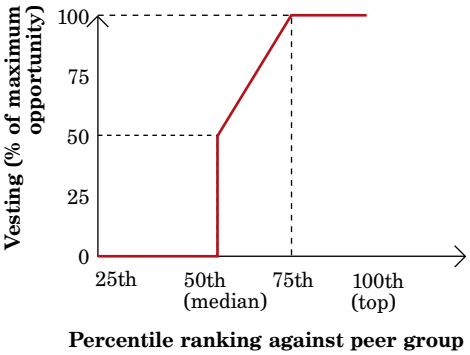
The maximum value of an individual's LTI opportunity is determined at the time of offer, and is set as a percentage of a participant's fixed remuneration. The percentage varies depending on the individual's role, and is 200% for the CEO and 150% for other executives. Under the TWE LTI offer proposed for FY12, the number of shares in an individual's LTI opportunity will be based on the one-month average share price preceding 1 July 2011. This approximates the time of demerger and the commencement of TWE as an independent standalone company.

The Board has determined that participants in the FY12 TWE LTI will be subject to the following measures which are assessed at the end of three years. Vesting of the TWE LTI is subject to two performance measures (total shareholder return (relative) and earnings per share) as illustrated in Diagram 2.4.

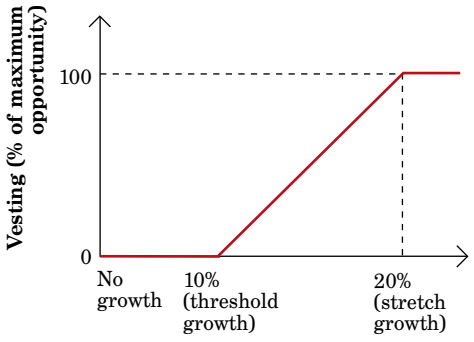
The TWE LTI is an ongoing long term incentive plan which was implemented post demerger. It is proposed that offers will be made during FY12 to the CEO, Nominated Executives and senior management with the greatest influence over Company performance and shareholder wealth. The FY12 TWE LTI offer to the CEO is subject to receiving shareholder approval at the 2011 AGM.

Diagram 2.4: TWE LTI vesting curve

Total shareholder return (relative) vesting curve



Earnings per share vesting curve



Note: The Board retains a 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 managements' control that affect EPS (for example, excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

The Board has chosen performance conditions that reflect the strategic focus of the Company, market practice, and are easily understood by both participants and shareholders:

- **Relative total shareholder return (TSR)** is a measure that is well regarded by investors/shareholders. TSR takes into consideration the increase in share price as well as dividends paid in its calculation. Relative TSR provides shareholder alignment and competitive returns as compared to other comparable organisations.
- **Earnings per share (EPS)** is a relevant indicator of earnings growth and increases in shareholder value. EPS utilises the organisation's earnings and number of shares on issue in its calculation. The Board considers that EPS aligns to the profit focus of the Company and provides line of sight between participant performance and reward.

The S&P/ASX 200 Index excluding energy, metal and mining, real estate and other financial organisations (e.g. banks, insurance, etc.) has been chosen as the appropriate peer group for the Company's relative TSR measure, based on independent advice (approximately 101 companies). This peer group was chosen as these organisations exhibit similar characteristics in terms of business cyclicality, market capitalisation, stock volatility and business operations and provide a sufficiently large population to minimise the effects of attrition.

Participation in the TWE LTI offer is governed by the terms of each offer, Company policy and the ESP Rules. If at the end of the performance period, the performance conditions are met, the Performance Rights automatically vest into shares and executives are free to deal with the shares subject to the Company's share trading policy. No amount is payable on the vesting of the Performance Rights or on their conversion into shares.

The TWE LTI Offer will lapse if a participant ceases employment before the end of the three year performance period. In exceptional circumstances (such as death, disability or redundancy), the Board, in its discretion, may determine that a portion vests having regard to performance and time lapsed to date of cessation (or that an equivalent cash payment be made).

If a change of control event occurs, the performance conditions will be measured at the time of the change of control event and the greater of:

(i) the target number of Performance Rights; or

(ii) the number of Performance Rights based upon the aforementioned performance testing will vest.

II. TWE Targeted Restricted Share component – (ongoing 'at risk' incentive)

From time to time, the Board may make offers to key executives under the Targeted Restricted Share component of the ESP. This creates incentives in order to attract and retain the best possible management talent for the Company where the existing incentive arrangements may not be sufficiently flexible for this purpose.

The purpose of the Plan is to provide a retention incentive for key critical skills within the Company recognising that specialist skills are critical to operate and grow the business.

In general, Shares are restricted for a period of three years during employment. In general, if the executive resigns or is dismissed for cause prior to the end of the three year restriction period, the Shares will be forfeited.

Section 3: Nominated Executives' contract terms

TWE entered into new service agreements with Nominated Executives with effect from the demerger which set out their remuneration and other terms of employment. A summary of the key terms of employment contracts for Nominated Executives is presented in Table 3.1.

There is no fixed term for Nominated Executive contracts. The Company may terminate service agreements immediately for cause, in which case the Nominated 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 both the TWE STI and the TWE LTI is at the discretion of the Board and Nominated Executives are invited annually to participate where appropriate. Therefore, participation in these plans is not guaranteed under their contracts.

Table 3.1: Summary of the key terms of employment contracts for Nominated Executives

		Termination Provisions	
Name	**Role**	**Notice by TWE**	**Notice on Resignation**
DCM Dearie	Chief Executive Officer	12 months	6 months
M Fleming	Chief Financial Officer	6 months (plus 6 months severance pay (base salary))	3 months
S Brauer	Managing Director – Americas	4 weeks (plus 48 weeks severance pay (base salary))	13 weeks
PR Jackson	Managing Director – EMEA	12 months	13 weeks
AN Davie	Managing Director – Asia	12 months	3 months
B Williams	Chief Human Resources Officer	12 months	3 months
PD Conroy	General Counsel and Company Secretary	12 months	3 months

Section 4: Remuneration outcomes

As TWE has only been listed since May 2011, it is not possible to present five years of financial company performance data. In addition, a large proportion of Nominated Executives' incentive payments for FY11 (and prior) were made in the context of Foster's Group's performance conditions and under the Foster's Group's remuneration policy.

The Board considers the link between remuneration and organisational performance to be of considerable importance. This is reflected in the new TWE STI and TWE LTI and other incentive and share plans mentioned in this Report. The Board is committed to providing shareholders with information regarding the link between Company performance and executive reward in future reports once the Company has established performance history and Nominated Executives' reward has been evaluated under TWE's Remuneration Policy and structure.

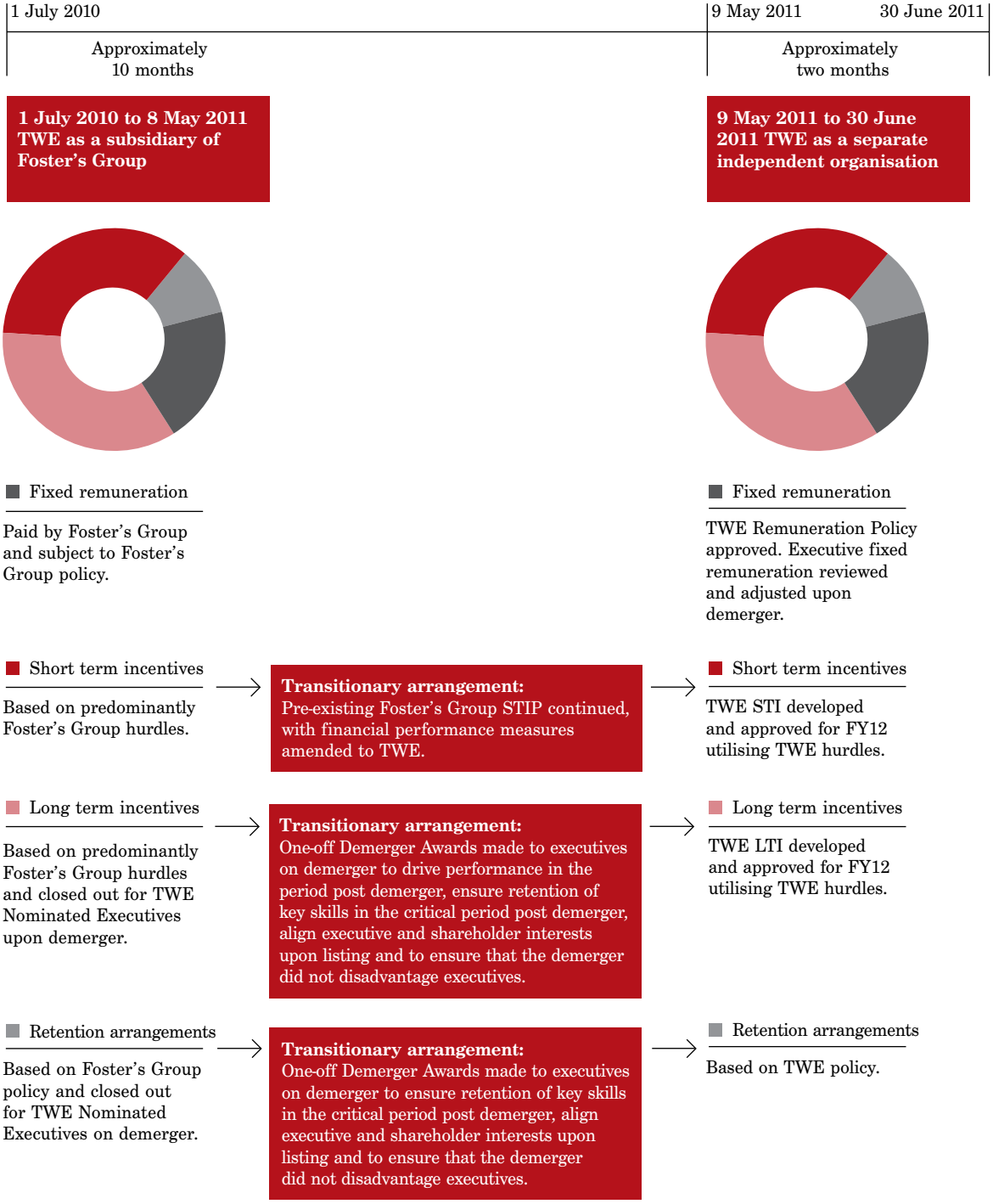
In addition, as many of the Nominated Executives were remunerated pursuant to Foster's Group's policy for approximately 10 months of the 2011 financial year, those remuneration outcomes are not necessarily reflective of TWE's Remuneration Policy. Accordingly, in order to clearly communicate to shareholders the remuneration outcomes that do relate to the Company's policy, the remuneration outcomes for this Report are set out in two sections:

- Part 1: TWE outcomes – remuneration subsequent to the demerger.
- Part 2: Foster's Group outcomes – remuneration prior to the demerger.

See Table 5.1 for Nominated Executive remuneration for FY11 on a combined basis.

The abovementioned sections cover two periods as depicted in Diagram 4.1 below. The impact of these periods on remuneration framework and outcomes is also shown.

Diagram 4.1: Split of remuneration in FY11



Note: the proportion of each component of the remuneration structure depicted above has been constructed for illustrative purposes only and does not represent the actual proportion of the remuneration structure applicable to Nominated Executives during FY11.

As shown above, many of the remuneration outcomes for Nominated Executives for FY11 are pursuant to Foster's Group's remuneration policy, and accrued by executives while TWE was a wholly owned subsidiary of Foster's Group. Certain other remuneration outcomes were payable during this 'transitional' year only, and do not necessarily reflect the 'go forward' remuneration strategy approved by the TWE Board. Accordingly, to the extent that Foster's Group arrangements affect the remuneration outcomes for the Nominated Executives for the financial year, these are set out in Section 5 of this Report.

Details of the remuneration for the Nominated Executives (disclosed in accordance with AASB 124 'Related Party Disclosures' and the *Corporations Act 2001*) are shown in Section 5.

Part 1: TWE outcomes – remuneration subsequent to the demerger

As set out in Section 2, the Board is committed to ensuring that there is a clear link and line of sight between executive reward and organisational performance and that this should be clearly articulated to shareholders.

A. Short term incentive – FY11 remuneration outcomes

I. FY11 FGL and TWE STI

For the FY11 short term incentives, the performance conditions were established pre demerger under Foster's Group ownership (FY11 FGL STI). On demerger, the TWE Board replaced certain of the Foster's Group-specific financial performance measures with measures more relevant to TWE (FY11 TWE STI).

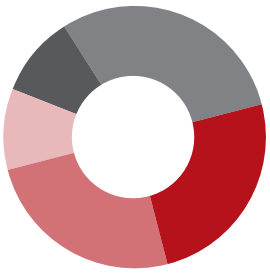
In summary, vesting of the FY11 TWE STI for Nominated Executives (with the exception of Mr Davie, who was measured on his business unit's EBITS) was subject to an overarching Foster's Group EBITS hurdle (FGL hurdle) for the period up until demerger (approximately 85% of the year). For the remaining (approximately 15%) period of the year, vesting was subject to an overarching Global TWE EBITS hurdle. The Nominated Executives were eligible for a maximum STI opportunity of 150% of their fixed remuneration (with the exception of Mr Davie whose eligible maximum opportunity was 120% of fixed remuneration).

The Foster's Group hurdle was not achieved and, therefore, a substantial component (approximately 85%) of participants' STI opportunity was forfeited.

For the period post demerger, the Global TWE EBITS hurdle was achieved. As such, participants were assessed (for approximately 15% of the year) on a combination of financial measures and KPOs.

Diagram 4.2: FY11 TWE STI measures utilised post demerger

Corporate Executive



Global TWE NSR	25%
Global TWE EBITS	25%
Global TWE ROCE	10%
Global TWE cash conversion	10%
KPOs (strategy, process and people)	30%

Business Unit Executive

Regional TWE NSR	15%
Regional TWE EBITS	15%
Global TWE EBITS	15%
Global TWE ROCE	10%
Regional TWE cash conversion	15%
KPOs (strategy, process and people)	30%

Mr Brauer, Mr Jackson and Mr Dearie's FY11 short term incentive payouts were made with respect to the period post demerger where the Global EBITS hurdle was achieved and their individual KPO objectives were met.

Mr Davie, as Managing Director of Asia, was subject to an Asia EBITS hurdle for FY11. As the Asia EBITS hurdle was met for the entire year, his FY11 short term incentive payout represents achievement of this hurdle and his outperformance on his KPO objectives.

II. Hurdle relief

In FY11, the Foster's Group Board considered the time and effort required of employees in corporate roles, to effect the demerger successfully. In particular, the Board evaluated roles that were heavily involved with the demerger and which, as a result of time spent on the demerger, were less focused on day-to-day operational activities, resulting in diminished influence on the organisation's EBITS outcome.

Following this evaluation, the Board agreed to provide 'hurdle relief' to certain corporate roles (including Nominated Executives) where the role/part of the role was significantly involved with the demerger. Under the 'hurdle relief' a percentage of a participant's short term incentive opportunity (dependent on time and effort spent on the demerger) was exempt from the EBITS hurdle.

Both Mr Conroy and Mr Williams were granted 'hurdle relief' by the Foster's Group Board and a portion of their disclosed FY11 short term incentive payout reflects this.

III. Discretionary payment

At the end of FY11, the TWE Board considered the short term incentive outcomes for FY11 in the context of:

- participants' individual performance;
- participants' contribution to the success of their respective regions;
- the additional challenges the demerger year presented; and
- the retention of key skills.

Reflecting on the above, the Board approved a 'one off' discretionary payment in the form of cash to Nominated Executives. The cash payment was made for their contribution to the performance of TWE as a standalone business.

Table 4.1 details the short term incentive outcomes for FY11 for Nominated Executives.

Table 4.1: FY11 short term incentive outcomes for Nominated Executives

Nominated Executive	Annual Fixed Remuneration[4]	FY11 STI Paid[5]	Payment Under 'Hurdle Relief'[6]	Discretionary Payment[7]	Total STI Paid	Total as a Percentage of FY11 STI Maximum Opportunity[8]
DCM Dearie	$1,350,000	$143,817	$0	$155,800	$299,617	25%
M Fleming[1]	$720,000	Not eligible				
S Brauer[2]	$498,380	$54,428	$0	$0	$54,428	7.5%
PR Jackson[3]	$395,855	$43,942	$0	$71,000	$114,942	20%
AN Davie	$461,310	$370,893	$0	$0	$370,893	67%
B Williams	$468,000	$0	$107,403	$62,500	$169,903	25%
PD Conroy	$514,800	$0	$186,625	$70,000	$256,625	34%

1. Mr Fleming was not eligible to participate in the FY11 STI as his employment did not commence until after the demerger.
2. Mr Brauer is paid in USD. His fixed remuneration has been converted to AUD utilising an annual average FX rate of 1.0196.
3. Mr Jackson is paid in GBP. His fixed remuneration has been converted to AUD utilising an annual average FX rate of 1.6197.
4. 'Annual fixed remuneration' represents the fixed remuneration component as per Nominated Executive employment contracts. The actual payments made to Nominated Executives by TWE are presented in Table 5.1.
5. 'FY11 STI paid' represented the amount of short term incentive paid to the Nominated Executives under the FY11 TWE STI.
6. 'Hurdle relief' was granted to Nominated Executives who were extensively involved in the demerger.
7. A 'discretionary payment' was made to Nominated Executives to recognise their contribution to the performance of TWE as a standalone business.
8. For FY11, the Nominated Executives were entitled to a maximum STI opportunity of 150% of fixed remuneration (with the exception of Mr Davie, whose maximum opportunity was 120% of fixed remuneration). Percentages are based on actual fixed remuneration pro rated on a pre and post demerger basis.

B. Equity awards – FY11 remuneration outcomes

I. LTI Demerger Awards

In FY11, upon demerger, a number of the LTI offers that had been made to Nominated Executives under Foster's Group employment were forfeited. To drive performance during the critical period immediately post demerger, align executives' interests with those of shareholders, retain key skills and ensure that executives were not disadvantaged by the demerger, the TWE Board approved one-off Demerger Awards in the form of Performance Rights under the LTI. These Demerger Awards, disclosed in the Foster's Group demerger Scheme Booklet, vest over periods of approximately one and two years, subject to the achievement of performance conditions.

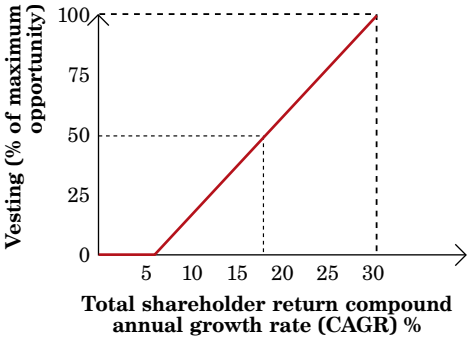
LTI Demerger Awards were made to 17 executives and senior managers regarded as having the greatest influence over the underlying performance standards, including Nominated Executives who transferred from Foster's Group.

Participants received up to two offers of Performance Rights, which differed only in the length of the performance period. In order to ensure that participants were not disadvantaged by the demerger, offers aligned the performance period end dates with the original Foster's Group long term incentive (FGL LTI) entitlements that were forfeited.

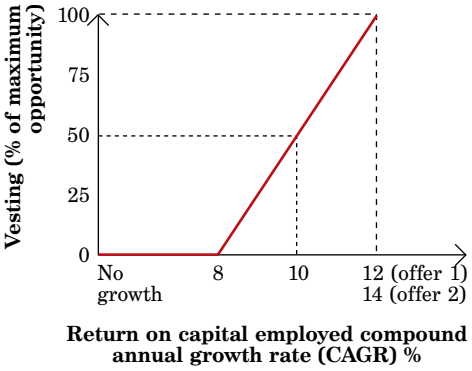
The performance hurdles for the LTI Demerger Awards were derived from the FGL LTI entitlements that were forfeited upon demerger, and are based on absolute total shareholder return and return on capital employed. The targets set for the Demerger Awards were set as appropriate for TWE. The performance conditions and vesting curve is illustrated in Diagram 4.3.

Diagram 4.3: LTI Demerger Awards vesting curve

Total shareholder return (absolute) vesting curve



Return on capital employed vesting curve



II. Targeted Restricted Share Demerger Awards

In FY11, upon the demerger, executives also forfeited a number of their Targeted Restricted Share offers (originally made for retention purposes). To align executives' interests with those of shareholders, retain key skills in the critical period post demerger and to ensure that executives were not disadvantaged by the demerger, a one-off Restricted Share Demerger Award was made to Nominated Executives as part of the Targeted Restricted Share component of the ESP (as disclosed in the Foster's Group demerger Scheme Booklet). Nominated Executives who received Demerger Awards received up to two offers, which differed only in the length of the restriction period. The restriction end dates align with Foster's Group Targeted Restricted Share offers that lapsed on demerger (to ensure that executives were not disadvantaged by the demerger):

- Offer 1: restricted until July 2013; and
- Offer 2: restricted until November 2013.

Table 4.2 details the one-off LTI Demerger Awards (granted as Performance Rights) and Targeted Restricted Share Demerger Awards under the ESP made to Nominated Executives in FY11.

Table 4.2: FY11 LTI Demerger Awards and Targeted Restricted Share Demerger Awards granted to Nominated Executives

Nominated Executive	Grant Date	Instrument	Vesting Date[2]	Number Granted	Value[3]
DCM Dearie	6 June 2011	Performance Right	30 September 2012	187,454	$414,271
	6 June 2011	Performance Right	30 September 2013	174,638	$356,262
	3 June 2011	Restricted Share	7 July 2013	84,041	$290,782
	3 June 2011	Restricted Share	15 November 2013	33,974	$117,550
					$1,178,865
M Fleming[1]	3 June 2011	Restricted Share	5 May 2012	36,991	$127,989
	3 June 2011	Restricted Share	5 May 2013	36,991	$127,989
	3 June 2011	Restricted Share	5 May 2014	36,992	$127,992
					$383,970
S Brauer	6 June 2011	Performance Right	30 September 2012	146,326	$323,380
	6 June 2011	Performance Right	30 September 2013	127,254	$259,596
	3 June 2011	Restricted Share	15 November 2013	33,974	$117,550
					$700,526
PR Jackson	6 June 2011	Performance Right	30 September 2012	119,506	$264,106
	6 June 2011	Performance Right	30 September 2013	98,644	$201,234
	6 June 2011	Restricted Share	7 July 2013	70,034	$242,318
	6 June 2011	Restricted Share	15 November 2013	33,974	$117,550
					$825,208
AN Davie	6 June 2011	Performance Right	30 September 2012	55,134	$121,844
	6 June 2011	Performance Right	30 September 2013	50,962	$103,960
					$225,804
B Williams	6 June 2011	Performance Right	30 September 2013	111,458	$227,374
					$227,374
PD Conroy	6 June 2011	Performance Right	30 September 2012	115,334	$254,886
	6 June 2011	Performance Right	30 September 2013	122,784	$250,477
	3 June 2011	Restricted Share	7 July 2013	64,073	$221,693
	3 June 2011	Restricted Share	15 November 2013	33,974	$117,550
					$844,606

1. Mr Fleming was not entitled to a LTI Demerger Award as his employment did not commence until after the demerger. Mr Fleming received an award of Restricted Shares to align his interests with shareholders and the rest of the Nominated Executives on commencement, and in part to recognise benefits foregone in his previous employment.
2. This is the date that the LTI Demerger Awards will vest and the Targeted Restricted Shares will be released from restriction if (and to the extent) the applicable service or performance condition(s) are met. To the extent the conditions are not met on this date, the Demerger Awards or the Targeted Restricted Shares, as the case may be, or a portion of them, will lapse.
3 In respect of Performance Rights, this represents the fair value, as detailed in Section III below. In respect of Restricted Shares, this represents the five day VWAP up until (and including) the date of grant multiplied by the number of shares granted at the date of grant.

III. Valuation of LTI offers

In accordance with AASB 2 'Share-based Payments', each LTI offer is valued as at its date of offer. The model adopted to value the LTI uses an independently verified 'Monte Carlo' simulation.

The model incorporates TWE's share price at the date of offer, the expected risk-free rate of interest for the performance period, the expected annual dividend yield and the expected annual volatility of the share price returns. As the Company was not a listed entity for the full year, Foster's Group share price volatility was utilised in the simulation as a proxy.

A simulation is then executed numerous times to arrive at a distribution of possible LTI offer values. The average of these values over all the simulations is the value of the LTI at the offer date. Offers made during the year have the valuations and inputs shown below:

LTI Offer	Value[1]	Share Price at Valuation Date	TWE's Expected Volatility[2]	Vesting Period Expected Life[3]	Expected Dividend Yield[4]	Risk Free Interest Rate[5]
LTI Demerger Award – 2012 vesting TSR component	$1.09	$3.46	20%	1.25	3.5%	4.78%
LTI Demerger Award – 2012 vesting ROCE component	$3.33	$3.46	20%	1.25	3.5%	4.78%
LTI Demerger Award – 2013 vesting TSR component	$0.86	$3.46	20%	2.25	3.5%	4.86%
LTI Demerger Award – 2013 vesting ROCE component	$3.22	$3.46	20%	2.25	3.5%	4.86%

1. The value is the fair value as at the offer date. For those offers based solely on absolute TSR, the valuation is based on the Monte Carlo simulation technique explained above. For the ROCE component, a likely vesting outcome is overlayed onto the basic Monte Carlo valuation to reflect performance to-date against targets.
2. Expected volatility is based on historical Foster's Group and TWE stock volatility.
3. Vesting period/expected life is the number of years between the offer date and the end of the potential vesting.
4. Expected dividends are based on historical and peer group yields.
5. The risk-free interest rate is based on yields on Australian Treasury Bonds as at the offer date.

Table 4.3: TWE shareholding of Nominated Executives

	Balance of Shares at Start of Year[1,2]	Shares Acquired During the Year as Part of Remuneration[3]	Shares Acquired through the Year through the Vesting of LTI[4]	Other Shares Acquired During the Year[5]	Other Changes During the Year	Balance of Shares Held at End of Year
Nominated Executives						
DCM Dearie	-	-	-	118,015	-	118,015
M Fleming	-	-	-	110,974	-	110,974
B Williams	-	-	-	-	-	-
S Brauer	-	-	-	33,974	-	33,974
PR Jackson	-	-	-	126,803	-	126,803
AN Davie	-	-	-	64,344	-	64,344
PD Conroy	-	-	-	111,538	-	111,538
Total	**-**	**-**	**-**	**565,648**	**-**	**565,648**

1. Includes directly held ordinary shares, nominally held shares, and shares held by related parties of the individual.
2. As TWE became an independently listed organisation on 10 May 2011, no publicly listed shares were available for trading at the start of the 2011 financial year.
3. 'Shares acquired during the year as part of remuneration' includes shares granted as part of the TWE STI Restricted Share component.
4. All Foster's Group Long Term Incentive Plans were closed out, for TWE executives, on demerger. Thus no LTI vesting occurred in the 2011 financial year.
5. 'Other shares acquired during the year' includes shares granted under the Targeted Restricted Shares component of the Employee Share Plan. See Section 4(B)(II).

Part 2: Remuneration outcomes prior to demerger (under Foster's Group policy)

A. Fixed annual remuneration

As noted above, for approximately 10 months prior to the demerger, executives were remunerated for their roles within the Company as a wholly owned subsidiary of Foster's Group, pursuant to Foster's Group remuneration policy.

B. Foster's Group's Short Term Incentive Plans

Executives who were employed by Foster's Group prior to the demerger participated in the Foster's Group Senior Management Short Term Incentive Plan (FGL SM-STIP) from 1 July 2010 to the demerger date. The Plan incorporated an overarching Foster's Group EBITS hurdle. In respect of FY11, the hurdle was not achieved and, therefore, no payments were made to the Nominated Executives under the FGL SM-STIP.

For the remainder of FY11 (i.e. the period post-demerger), Nominated Executives were assessed on a modified plan (FY11 TWE STI). For more details on this plan see Part 1: TWE outcomes – remuneration subsequent to demerger above.

C. Foster's Group Equity Incentive Plans

Nominated Executives who were executives of Foster's Group prior to the demerger may have participated in one or more of the Foster's Group Limited Long Term Incentive Plans (FGL LTIP) and Restricted Share Plan (FGL RSP) until the demerger.

These plans are further detailed in the Foster's Group annual reports, and have been disclosed in this Report for the purposes of clearly laying out TWE's Nominated Executives' remuneration for the year and to provide context to the remuneration provided to Nominated Executives in the Company.

The FGL LTIP allowed for the grant of Performance Rights to be made to executives. The Performance Rights were subject to a three year performance period as well as performance conditions. If the conditions were met, a proportion of the Performance Rights would vest (to the extent to which the performance conditions were met). The Foster's Group Board approved the following treatment of the FGL LTIP offers which was disclosed in the demerger Scheme Booklet:

- **2008 FGL LTIP** – at the time of demerger, approximately three months remained of the 2008 LTIP performance period. In light of the proportion of the performance period that had elapsed, the Foster's Group Board determined to test the performance conditions earlier and vest a portion (dependent on the performance outcome) pro rated for time.
- **2009 and 2010 FGL LTIP** – at around the time of demerger, TWE executives forfeited both the 2009 and 2010 LTIP offers.

The FGL RSP allowed for offers of Targeted Restricted Foster's Group shares to be made to key Foster's Group executives for the purposes of acquiring, retaining and motivating them.

In respect of participants transferring to TWE (including the Nominated Executives), the Foster's Group Board approved the treatments set out below. This treatment was disclosed in the demerger Scheme Booklet.

- **FGL RSP – offers that were to vest in September 2011** – at the time of the demerger, approximately three months remained before Foster's Group shares were to be released to Foster's Group executives. In light of the proportion of the restriction period that had elapsed, the Foster's Group Board approved the release of those shares to participants upon the demerger.
- **FGL RSP – offers that were to vest after September 2011** – at around the time of the demerger, TWE executives forfeited their offers.

Table 4.4 details the Performance Rights under the FGL LTIP and Targeted Shares under the FGL RSP that vested or lapsed in FY11.

Table 4.4: Performance Rights (FGL LTIP) and Restricted Shares (FGL RSP) that vested or lapsed in FY11

Nominated Executive[1]	Number of FGL Rights/ Shares Held at Start of the Year	Number of FGL Shares/ Rights Offered During the Year	Fair Value of FGL Rights/ Value of Shares Offered During the Year	Number of FGL Rights/ Shares Vested During the Year[2,4]	Fair Value of FGL Rights/ Value of FGL Shares Vested	Number of Rights Lapsed/ Shares Forfeited During the Year[3]	Fair Value of FGL Rights Lapsed/ Value of Shares Forfeited	Number of FGL Rights/ Shares Held at Year End
DCM Dearie	110,200	172,159	$791,717	-	$0	282,359	$899,162	-
B Williams	-	65,600	$240,752	-	$0	65,600	$240,752	-
S Brauer	86,000	94,800	$388,958	-	$0	180,800	$472,808	-
PR Jackson	172,152	119,138	$577,335	75,382	$234,507	215,908	$722,039	-
AN Davie	95,885	30,000	$110,100	58,089	$236,636	67,796	$156,806	-
P Conroy	85,093	129,773	$607,781	17,293	$95,329	197,573	$705,752	-

1. Excludes Mr Fleming, as his employment did not commence until after the demerger.

2. These are:

   (a) Rights under Tranche 3 of the 2007 FGL LTIP which vested in full during the year; and

   (b) Rights under the 2008 FGL LTIP grant (Tranche 3) – at the time of demerger, approximately three months remained of the 2008 FGL LTIP performance period; the Foster's Group Board therefore determined to test the performance conditions earlier and vest a portion of the Performance Rights (dependent on performance) pro rated for time.

3. These are:

   (a) Rights under the 2009 and 2010 FGL LTIP grant which were forfeited by TWE executives at the time of demerger.

   (b) Rights under the 2008 FGL LTIP that did not vest at the time of the demerger.

4. Shares are allocated automatically on vesting (the rights are not required to be exercised) and no exercise price is payable.

Section 5: Remuneration of Nominated Executives

Details of the nature and amount of each element of the remuneration of each of the Nominated Executives are presented in the following table. All amounts are in Australian dollars and relate only to the portion of the year in which the person occupied the role. Remuneration for the period prior to the demerger (disclosed as 'FGL') was subject to Foster's Group's remuneration policy and practices. Remuneration for the period subsequent to the demerger (disclosed as 'TWE') was subject to the TWE Remuneration Policy and practices.

Table 5.1 Remuneration of Nominated Executives for the year

			Short Term Benefits		
Nominated Executive[1,18]	**Year**		**Fixed Remuneration**	**Leave Accrual**[12]	**Non-Monetary Benefits**[13]
DCM Dearie	FY11	TWE	$198,855	$4,845	$562
		FGL	$592,581	$29,166	$3,286
		Total	**$791,436**	**$34,011**	**$3,848**
	FY10	FGL	$639,190	$20,056	$79,125
M Fleming[2]	FY11	TWE	$92,649	$9,725	$0
		FGL	$0	$0	$0
		Total	**$92,649**	**$9,725**	**$0**
	FY10	FGL	$0	$0	$0
S Brauer[3,4,5]	FY11	TWE	$82,619	$978	$5,224
		FGL	$377,958	$5,888	$46,537
		Total	**$460,577**	**$6,866**	**$51,761**
	FY10	FGL	$478,476	$4,708	$210,612
PR Jackson[6,7]	FY11	TWE	$56,194	$890	$3,977
		FGL	$323,715	$5,220	$24,093
		Total	**$379,909**	**$6,110**	**$28,070**
	FY10	FGL	$424,726	$763	$3,918
AN Davie[8]	FY11	TWE	$61,435	$39	$0
		FGL	$358,459	$233	$0
		Total	**$419,894**	**$272**	**$0**
	FY10	FGL	N/A	N/A	N/A
B Williams[9,10]	FY11	TWE	$55,315	$4,357	$8,829
		FGL	$268,192	$26,227	$43,367
		Total	**$323,507**	**$30,584**	**$52,196**
	FY10	FGL	N/A	N/A	N/A
PD Conroy[11]	FY11	TWE	$69,242	$11,897	$1,877
		FGL	$371,808	$71,611	$11,015
		Total	**$441,050**	**$83,508**	**$12,892**
	FY10	FGL	$282,984	$30,430	$3,165
Total	**FY11**	**TWE**	**$616,309**	**$32,731**	**$20,469**
		FGL	**$2,292,713**	**$138,345**	**$128,298**
		Total	**$2,909,022**	**$171,076**	**$148,767**

1. All Nominated Executives commenced in their current roles with TWE on demerger. Prior to the demerger, Nominated Executives held positions within, and were remunerated by, Foster's Group, unless otherwise noted.
2. Mr Fleming was employed by TWE on 9 May 2011. He was not employed by Foster's Group prior to the demerger.
3. Mr Brauer is remunerated in USD. His fixed remuneration has been converted into AUD utilising an average annual FX rate of 1.0196. Mr Brauer's fixed remuneration includes his base salary and public holiday pay.
4. Mr Brauer's non-monetary benefits include health club reimbursements, life insurance, medical insurance and other legislated US Federal and State payments.
5. Mr Brauer relocated from Connecticut to California to take up employment with Foster's Group as Foster's MD Americas. Foster's Group granted Mr Brauer a one-off cash payment to assist with the purchase of a house in California and an additional allowance to assist with expenses incurred through the relocation. Should Mr Brauer terminate employment as a result of resignation, for cause or poor performance prior to 30 June 2013, he will be required to repay two-thirds of the gross amount of the allowance (including all applicable taxes). This agreement was made with Foster's Group and no liability exists under TWE.
6. Mr Jackson is remunerated in GBP. His fixed remuneration has been converted into AUD utilising an average annual FX rate of 1.6197.
7. Mr Jackson's additional payments included membership of the corporate health scheme and staff allowances.
8. Mr Davie receives his remuneration through an expatriation arrangement. One third of his short term incentive is paid as restricted shares (disclosed under 'other equity').
9. Mr Williams was employed by Foster's Group as Chief Human Resources Officer on 26 July 2010.
10. Mr Williams' 'Total Cash Incentive' was calculated under the 'hurdle relief' methodology (see Section 4(a) II) and includes a discretionary cash payment which was made to recognise his significant involvement in the demerger and his contribution to the success of TWE as a standalone business. Mr Williams' 'hurdle relief' component of his 'Total Cash Incentive' was agreed and funded by Foster's Group.

Short Term Benefits		Share Based Payments		Post Employment Benefits	
Total Cash Incentive[14]	Other Payments[15]	Total Amortisation Value of LTIP[16]	Other Equity[17]	Superannuation	Total
$299,617	$0	$28,263	$11,320	$0	$543,462
$0	$0	($32,423)	$0	$0	$592,610
$299,617	**$0**	**($4,160)**	**$11,320**	**$0**	**$1,136,072**
$0	$15,888	$32,423	$0	$0	$786,682
$0	$14,571	$0	$15,172	$8,675	$140,792
$0	$0	$0	$0	$0	$0
$0	**$14,571**	**$0**	**$15,172**	**$8,675**	**$140,792**
$0	$0	$0	$0	$0	$0
$54,428	$0	$21,580	$2,902	$0	$167,731
$0	$352,605	($26,357)	$0	$0	$756,631
$54,428	**$352,605**	**($4,777)**	**$2,902**	**$0**	**$924,362**
$0	$117,654	$26,357	$0	$8,327	$846,134
$114,942	$0	$17,344	$9,917	$11,669	$214,933
$0	$0	$47,478	$0	$66,853	$467,359
$114,942	**$0**	**$64,822**	**$9,917**	**$78,522**	**$682,292**
$0	$0	$175,908	$998	$82,123	$688,436
$248,498	$0	$8,291	$28,559	$5,627	$352,449
$0	$0	$21,601	$53,022	$32,263	$465,578
$248,498	**$0**	**$29,892**	**$81,581**	**$37,890**	**$818,027**
N/A	N/A	N/A	N/A	N/A	N/A
$62,500	$0	$5,920	$0	$4,978	$141,899
$107,403	$28,575	$0	$0	$25,487	$499,251
$169,903	**$28,575**	**$5,920**	**$0**	**$30,465**	**$641,150**
N/A	N/A	N/A	N/A	N/A	N/A
$70,000	$0	$18,204	$9,320	$6,232	$186,772
$186,625	$0	($27,133)	$27,734	$33,463	$675,123
$256,625	**$0**	**($8,929)**	**$37,054**	**$39,695**	**$861,895**
$0	$0	$27,133	$0	$25,469	$369,181
$849,985	**$14,571**	**$99,602**	**$77,190**	**$37,181**	**$1,748,038**
$294,028	**$381,180**	**($16,834)**	**$80,756**	**$158,066**	**$3,456,552**
$1,144,013	**$395,751**	**$82,768**	**$157,946**	**$195,247**	**$5,204,590**

11. Mr Conroy's 'Total Cash Incentive' was calculated under the 'hurdle relief' methodology (see Section 4(a)(II)) and includes a discretionary cash payment which was made to recognise his significant involvement in the demerger and his contribution to the success of TWE as a standalone business. Mr Conroy's' 'hurdle relief' component of his 'Total Cash Incentive' was agreed and funded by Foster's Group.
12. 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).
13. Non-monetary benefits include motor vehicles, car parking, employer statutory contributions (e.g. in the US), medical and insurances (in the US), product allocations and Fringe Benefits Tax where applicable.
14. 'Total Cash Incentive' represents payments made under the FY11 TWE STI, 'hurdle relief' or approved 'discretionary payment'.
15. Other payments include relocation payments and living away from home allowances.
16. Amortisation value is determined in accordance with AASB 2 'Share-based Payment' and includes a proportion of the fair value of all outstanding 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.
17. Other equity refers to shares granted under Restricted Share offers.
18. Mr Johnston was the Foster's Group CEO and as part of his role had responsibility for oversight of both the Beer and Wine businesses. It is not possible to reasonably apportion Mr Johnston's salary for the services he provided to the wine business (TWE) during the period from 1 July 2010 to 9 May 2011. The base cash salary paid by Foster's Group to Mr Johnston for his role as Foster's CEO was $1,579,030 (2010: $1,763,050). It is considered that any share-based payments and post-employment benefits paid by Foster's Group to Mr Johnston relate to his role as Foster's CEO and are not compensation for services provided to TWE.

Section 6: Non-executive Director remuneration

The Board determines the fees payable to Non-executive Directors within the maximum aggregate fee pool of $1,750,000 per annum (disclosed in the Foster's Group demerger Scheme Booklet). In setting the initial level of Non-executive Directors' fees, the following factors were taken into account:

- risks and responsibilities of the role;
- global reach and complexity of the TWE business;
- advice from independent external consultants; and
- fees in comparable companies. These companies include Top 100 ASX listed organisations with a market capitalisation similar to that of TWE 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 and Committee fees. In addition, the Non-executive Directors receive a wine allowance. Non-executive Directors also receive an allowance for any overseas travel taking more than 12 hours, in addition to any business related expenses that may be incurred in carrying out their duties (the Chairman of the Board receives allowance for any travel taking more than four hours). In order to maintain independence, Non-executive Directors do not participate in the Company's incentive plans, and they do not receive retirement benefits other than the superannuation contributions disclosed in this Report.

Non-executive Directors receive a base fee in relation to their service as a Director of the Board and an additional fee for membership of, or for chairing, a Committee. The Chairman of the Board, taking into account the greater time commitment required, receives a higher fee but does not receive any additional payment for services on the respective Committees. There is no plan to increase Non-executive Director fees for FY12.

Non-executive Directors elect how they wish to receive their total fees – i.e. as a combination of cash, superannuation contributions or charitable donations. The annual fee structure for Non-executive Directors is detailed in Table 6.1 below.

Table 6.1: Non-executive Director fees

Non-executive Director Fees		
Board	**Chairman of Board[1]**	**Board Member**
Base fee	$390,000	$130,000
Committees	**Chairman of Committee**	**Committee Member**
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.

Details of Non-executive Director remuneration for the period from the date of listing are set out in Table 6.2.

Table 6.2: Non-executive Director remuneration

Non-executive Director	Fees	Superannuation	Non-Monetary Benefits	Total
MG Ould[1]	$52,985	$3,800	-	$56,785
ML Cattermole[1]	$22,709	$2,044	-	$24,753
WL Every-Burns[2]	$22,041	$1,984	-	$24,025
PA Rayner[2]	$23,383	$2,098	-	$25,481
Total	**$121,118**	**$9,926**	**-**	**$131,044**

1. Mr Ould and Mrs Cattermole were appointed on 10 February 2011, while TWE was a non-operating subsidiary of Foster's Group. They were not separately remunerated for acting as Directors of the Company prior to demerger.
2. Mr Every-Burns and Mr Rayner were appointed on 9 May 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $m	2010 $m
Revenue	4	**1,474.9**	1,445.4
Cost of sales		**(1,078.4)**	(1,094.5)
Gross profit		**396.5**	350.9
Other income	4	**1.7**	1.4
Selling expenses		**(127.8)**	(118.6)
Marketing expenses		**(80.8)**	(65.0)
Administration expenses		**(33.6)**	(5.6)
Other expenses	5	**(137.6)**	(1,136.4)
Share of net profits of associates and joint ventures accounted for using the equity method		**(0.2)**	-
Profit/(loss) before tax and finance costs		**18.2**	(973.3)
Finance income		**169.5**	104.0
Finance costs		**(103.1)**	(86.9)
Net finance income	4	**66.4**	17.1
Profit/(loss) before tax		**84.6**	(956.2)
Income tax benefit/(expense)	6	**(20.2)**	56.2
Net profit/(loss)		**64.4**	(900.0)
Net profit attributable to non-controlling interests		**(0.3)**	(0.6)
Net profit/(loss) attributable to members of Treasury Wine Estates		**64.1**	(900.6)
Other comprehensive income			
Cash flow hedges		**(1.5)**	(1.8)
Tax on cash flow hedges		**0.4**	0.5
Exchange difference on translation of foreign operations		**(119.7)**	(67.2)
Other comprehensive loss for the year, net of tax		**(120.8)**	(68.5)
Total comprehensive (loss) for the year attributable to members of Treasury Wine Estates		**(56.7)**	(969.1)
Non controlling interests		**0.3**	0.6
Total comprehensive (loss)/income for the year		**(56.4)**	(968.5)

		Cents per Share	Cents per Share
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic	8	**18.4**	(1,025.8)
Diluted	8	**18.4**	(1,025.8)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 $m	2010 $m
Current assets			
Cash and cash equivalents	10	**64.8**	37.1
Receivables	11	**451.6**	6,198.4
Inventories	12	**768.5**	689.3
Assets held for sale	14	**12.4**	25.6
Derivative financial assets	20	**0.7**	10.2
Total current assets		**1,298.0**	6,960.6
Non-current assets			
Receivables	11	**1.0**	0.8
Inventories	12	**196.7**	324.3
Investments	13	**8.9**	62.0
Property, plant and equipment	15	**912.7**	1,005.9
Agricultural assets	16	**180.5**	193.7
Intangible assets	17	**927.1**	795.0
Deferred tax assets	6	**178.8**	262.4
Total non-current assets		**2,405.7**	2,644.1
Total assets		**3,703.7**	9,604.7
Current liabilities			
Payables	18	**369.2**	10,782.9
Borrowings	21	**1.1**	319.3
Current tax liabilities		**11.3**	2.8
Provisions	22	**47.5**	46.9
Derivative financial liabilities	20	**0.6**	1.1
Total current liabilities		**429.7**	11,153.0
Non-current liabilities			
Payables	18	**-**	1.3
Borrowings	21	**135.4**	392.3
Deferred tax liabilities	6	**257.9**	310.2
Provisions	22	**3.9**	3.0
Total non-current liabilities		**397.2**	706.8
Total liabilities		**826.9**	11,859.8
Net assets		**2,876.8**	(2,255.1)
Equity			
Contributed equity	23	**3,045.0**	650.0
Reserves	24	**(233.5)**	(319.0)
Retained earnings		**61.0**	(2,590.1)
Total parent entity interest		**2,872.5**	(2,259.1)
Non-controlling interest		**4.3**	4.0
Total equity		**2,876.8**	(2,255.1)

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 2011

	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 2009	-	(1,689.5)	2.4	-	(277.5)	46.1	(1,918.5)	4.0	(1,914.5)
Loss for the year	-	(900.6)	-	-	-	-	(900.6)	0.6	(900.0)
Total other comprehensive income	-	-	(1.3)	-	(67.2)	-	(68.5)	-	(68.5)
Total comprehensive income for the year	-	(900.6)	(1.3)	-	(67.2)	-	(969.1)	0.6	(968.5)
Transactions with owners in their capacity as owners directly in equity									
Issue of ordinary shares	650.0	-	-	-	-	-	650.0	-	650.0
Dividends to owners of the company	-	-	-	-	-	-	-	(0.6)	(0.6)
Contribution from owners regarding tax (note 24(iii)(a))	-	-	-	-	-	(21.5)	(21.5)	-	(21.5)
Balance at 30 June 2010	**650.0**	**(2,590.1)**	**1.1**	**-**	**(344.7)**	**24.6**	**(2,259.1)**	**4.0**	**(2,255.1)**
Profit for the year	-	64.1	-	-	-	-	64.1	0.3	64.4
Total other comprehensive income	-	-	(1.1)	-	(119.7)	-	(120.8)	-	(120.8)
Total comprehensive income for the year	-	64.1	(1.1)	-	(119.7)	-	(56.7)	0.3	(56.4)
Transactions with owners in their capacity as owners directly in equity									
Issue of ordinary shares	3,500.0	-	-	-	-	-	3,500.0	-	3,500.0
Capital reduction	(1,102.5)	1,102.5	-	-	-	-	-	-	-
Retained earnings attributable to entities acquired and disposed under common control	-	44.0	-	-	-	-	44.0	-	44.0
Share-based payment expense	-	-	-	0.2	-	-	0.2	-	0.2
Purchase of own shares	(2.5)	-	-	-	-	-	(2.5)	-	(2.5)
Common control transaction	-	-	-	-	60.0	1,586.6	1,646.6	-	1,646.6
Transfers to/(from) equity accounts	-	1,440.5	-	-	-	(1,440.5)	-	-	-
Balance at 30 June 2011	**3,045.0**	**61.0**	**-**	**0.2**	**(404.4)**	**170.7**	**2,872.5**	**4.3**	**2,876.8**

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 2011

	Note	2011 $m Inflows/ (Outflows)	2010 $m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		**1,390.9**	1,342.4
Payments to suppliers, governments and employees		**(1,224.2)**	(1,253.9)
Interest received		**6.8**	0.2
Borrowing costs		**(31.2)**	(39.0)
Income taxes paid		**(4.7)**	(0.6)
Net cash flows from operating activities	31	**137.6**	49.1
Cash flows from investing activities			
Payments for property, plant, equipment and agricultural assets		**(74.3)**	(67.2)
Payments for investments		**-**	(7.7)
Net proceeds from repayment of loans		**0.8**	0.4
Proceeds from sale of property, plant and equipment		**3.0**	2.2
Proceeds from sale of assets held for sale		**10.7**	66.0
Net cash flows from investing activities		**(59.8)**	(6.3)
Cash flows from financing activities			
Payments for shares bought back		**(2.5)**	-
Payments to non-controlling interests		**-**	(0.6)
Proceeds from borrowings	21	**200.0**	-
Repayment of borrowings	21	**(262.5)**	(28.6)
Net cash flows from financing activities		**(65.0)**	(29.2)
Total cash flows from activities		**12.8**	13.6
Cash and cash equivalents at the beginning of the year		**37.1**	24.8
Proceeds from cash acquired on demerger	3	**20.3**	-
Effects of exchange rate changes on foreign currency cash flows and cash balances		**(5.4)**	(1.3)
Cash and cash equivalents at the end of the year	31	**64.8**	37.1

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

Treasury Wine Estates Limited (formerly known as 'Berringer Blass Wine Estates Limited') is a company limited by shares, incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange.

The significant accounting policies adopted in preparing the consolidated financial statements of Treasury Wine Estates Limited (the 'Company') and of its controlled entities (collectively 'the consolidated entity' or 'TWE 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.

In addition we draw your attention to note 2 which describes the impact on the reported results of TWE Group arising from the transactions and restructuring activities undertaken as part of the demerger from Foster's Group.

Rounding of amounts

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

Statement of compliance

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

The financial report was authorised for issue by the Board of Directors on 22 August 2011.

Principles of consolidation

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

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

The financial reports of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Average exchange rates used for the translating profit and loss items in 2011 are AUD$1 = USD 0.9876 and GBP 0.6205 (2010: USD 0.8814 and GBP 0.5579). Period end exchange rates used for translating financial position items in 2011 are AUD$1 = 1.0690 USD and GBP 0.6650 (2010: USD 0.8500 and GBP 0.5646).

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 TWE Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1. Summary of significant accounting policies (continued)

Transactions and balances

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

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

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

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

Foreign group companies

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

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

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

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

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

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

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

Revenue recognition

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

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Property

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

Interest income

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

Royalties

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

Dividends

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

Borrowing costs

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

Acquisition of assets

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

Impairment of assets

At each reporting date, the TWE 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 TWE 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 current period statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1. Summary of significant accounting policies (continued)

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 original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, 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 – 135 days depending on the nature of the transaction.

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

Other receivables

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

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

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

Loans

Loans comprise employee share loans, loans to controlled entities and loans to Director related entities and other persons. All loans except for certain inter-entity loans are non-interest bearing and are initially recognised at fair value and subsequently recorded at amortised cost, representing the present value of the loan, calculated using the effective interest rate of the loan over its term.

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 the marketing, selling and distribution.

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

Investments in controlled entities

Investments in controlled entities are accounted for using the purchase method. Under this method, the cost of an acquisition is measured at fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. The excess

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Changes in ownership interests of a subsidiary (that do not result in loss of control) are accounted for as an equity transaction, and have no impact on goodwill. To the extent that the consideration received for the acquisition of non-controlling interest exceeds the carrying value, the excess is recognised directly in equity attributable to the controlling interest.

Investments in associates and joint ventures

In the consolidated financial statements, investments in associates, which includes partnerships, are accounted for using the equity method of accounting and are initially recognised at cost.

Under this method, the TWE Group's share of profits or losses are recognised in the statement of comprehensive income and its share of movements in reserves are recognised in the TWE Group's consolidated other comprehensive income. The cumulative post acquisition changes in the TWE Group's share of net assets of the associate, less any impairment losses, are adjusted against the cost of the investment. When the TWE Group's share of losses in an associate equals or exceeds its interest in the associate, the TWE 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 TWE Group recognises its share of any changes and discloses, when applicable, in the consolidated statement of comprehensive income. Associates are those entities over which the TWE 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 TWE Group and its associates are eliminated to the extent of the TWE Group's interest in the associates.

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 TWE Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through the profit or loss

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

Held-to-maturity investment

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

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1. Summary of significant accounting policies (continued)

Loans and receivables

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

Available-for-sale investments

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

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the statement of financial position date.

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

Impairment of financial assets

Financial assets carried at amortised cost

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

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

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

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Derecognition of financial assets

The derecognition of a financial asset takes place when the TWE 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 TWE Group has transferred substantially all the risks and rewards of ownership.

Derivative financial instruments

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

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

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

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

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

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

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1. Summary of significant accounting policies (continued)

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

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

Financial guarantees

Where a contract meets the definition of a financial guarantee, the contract is recognised at fair value at inception and then recognised at the greater of amortised cost, or the best estimate of total payments under the contract terms.

Leases

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

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The TWE 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% – 5.0%
Leasehold buildings and improvements	10.0% – 50.0%
Plant and equipment	2.5% – 40.0%

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year-end.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Derecognition and disposal

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

Intangible assets

Brand names

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

The useful lives of intangible assets 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 (generally five years) and the expense is taken to the statement of comprehensive income.

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

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

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the TWE 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 TWE 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.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1. Summary of significant accounting policies (continued)

IT development costs

IT development costs are included in the financial statements as intangible assets at cost. Following initial recognition, IT development costs are carried at cost less any accumulated amortisation. IT development costs include the cost of purchased software and labour used in the development of software, and software licences are amortised over the expected useful life of the intangible asset (generally five years).

Agriculture

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

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

Assets held for sale and discontinued operations

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

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

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

Interest-bearing loans and borrowings

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

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

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

Payables

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

Trade payables are normally settled within 60 days from the end of the month from which the invoice is received.

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, 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.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Liabilities for Short Term Incentive Plans (STIP) 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 TWE Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of the current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling more than 12 months after balance date are discounted to present value.

Superannuation plan

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

Shared-based payment transactions

The TWE Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised over the vesting period of the equity instrument. The fair value is determined by an external valuer using a binomial model.

Shares issued to employees under the Long Term Incentive Plan (LTIP) are recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights to receive shares granted to employees. At each reporting date, the TWE Group revises its estimates of the number of LTIP rights that are expected to become exercisable. The Company recognises the impact of the revision of original estimates immediately to the extent it relates to past services and the rest, if any, over the remaining vesting period in the statement of comprehensive income, and a corresponding adjustment to equity.

Provisions

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

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

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

Dividends

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

Restructuring

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1. Summary of significant accounting policies (continued)

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

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

Onerous contracts

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

Income tax

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

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

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

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

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

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

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

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

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

Tax consolidation legislation

Prior to TWE's demerger from the Foster's Group, TWE's Australian subsidiaries were included in the Foster's Australian tax consolidated group. Tax payable or receivable amounts referable to the operations of TWE's Australian subsidiaries during that time when they were part of the Foster's Australian tax consolidated group were assumed by the head entity in that group, namely Foster's Group. Settlement of a tax payable amount by Foster's Group is accounted for as a contribution from owners. Tax refunds received by Foster's Group that were referable to TWE's Australian subsidiaries are accounted for as a return of contributions to owners. Contributions to/from owners in respect to these tax transactions enter into the calculation of the 'demerger and other reserve' balance as set out in note 24(iii)(a).

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

As set out in note 6, as at the date of signing, TWE's Australian subsidiaries have yet to form an Australian consolidated tax 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 TWE by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus elements in ordinary shares issued 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 TWE Group has identified its operating segments based on the internal reports reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. These reports present a view of the business from a geographic perspective

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

The TWE Group has identified the following reportable segments:

(i) Australia & New Zealand (ANZ)

This segment is responsible for the manufacture, sale and marketing of wine within Australia and New Zealand.

(ii) Europe, Middle East and Africa (EMEA)

This segment is responsible for the sale and marketing of wine within the EMEA region.

(iii) Americas

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

(iv) Asia

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

Types of products and services

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

Accounting policies and inter-segment transactions

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

Corporate charges

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1. Summary of significant accounting policies (continued)

Segment loans payable and loans receivable

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

Other

It is the TWE 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 TWE Group has one customer whose revenues represent 17.6% (2010: 19.8%) of the TWE Group's reported revenues.

New accounting standards and interpretations

The TWE Group has adopted the following new and revised Accounting Standards issued but the Australian Accounting Standards Board (AASB) that are relevant to its operations:

- Improvements to AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues.
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions.

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:

Applicable to the TWE Group for the financial year commencing on or after 1 July 2011

- AASB 124 (2009) Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards – applicable for reporting periods beginning on or after 1 January 2011. These amendments expand on the definition of what is a related party. There are unlikely to be any financial impacts upon the amounts recognised in the financial report following adoption of this standard.
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – applicable for annual reporting periods beginning on or after 1 January 2011. These amendments are likely to have disclosure impacts only.
- AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – applicable for reporting periods beginning on or after 1 July 2011. These amendments are likely to have disclosure impacts only.
- AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 – applicable for reporting periods beginning on or after 1 January 2015. 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.

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

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. For this component of finished goods, net realisable value 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 involve estimating the most likely conditions at the expected point of sale.

Agriculture

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

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

Taxation

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

Impairment of assets

Consistent with the aforementioned impairment accounting policy, TWE 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.

Note 2. Treasury Wine Estates' demerger

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 2. Treasury Wine Estates' demerger (continued)

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

The TWE Group's statutory financial information includes the results of those entities, assets and liabilities that ceased to be part of the TWE Group under the corporate restructure for the period from 1 July 2009 until immediately prior to the demerger, relating to certain non-wine activities and external borrowings that formed part of the TWE Group prior to the demerger, but were retained by Foster's Group.

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

The TWE Group's statutory financial information for the year ended 30 June 2011 and for the comparative year ended 30 June 2010 present the TWE Group's performance in compliance with statutory reporting obligations. However, as a result of the corporate restructure immediately prior to the demerger, the statutory financial information does not give a view of the performance of the TWE Group as it is currently structured. In addition, the TWE Group's statutory financial results only reflect changes in operating and corporate costs associated with the TWE Group becoming a standalone consolidated entity from 9 May 2011.

To assist shareholders and other stakeholders in their understanding of the TWE Group's business as it is now structured, pro forma financial information for the years ended 30 June 2010 and 2011 is provided in the Review of Operations section of the Directors' Report (and can also be found in the Company's media release to the Australian Securities Exchange on 22 August 2011). In the preparation of the pro forma financial information, adjustments have been made to the TWE Group's statutory results to present a view of performance as if the internal corporate restructure associated with the demerger had been effective from 1 July 2009. Additional adjustments have also been made in the presentation of pro forma financial information to reflect changes in costs associated with Treasury Wine Estates Limited becoming a standalone listed entity as if those costs had been incurred from 1 July 2009.

The pro forma adjustments referred to above have been made on a basis consistent with those contemplated on page 64 of the Foster's Group demerger Scheme Booklet. A reconciliation between the pro forma financial information and Treasury Wine Estates Limited's statutory income statement is included within the Directors' Report (and aforementioned media release).

The reconciliations and the pro forma financial information will form part of the Directors' Report. They have not been audited.

Note 3. Businesses acquired and disposed

As part of the activities undertaken by the TWE Group pursuant to the Demerger Agreement with Foster's Group, certain assets, liabilities and legal entities have been acquired and divested by the TWE Group. Details of the legal entities acquired and disposed are included in note 34.

These transactions occurred while under the common control of Foster's Group and for consolidation purposes have been accounted for as transactions between entities under common control by the TWE Group. No acquisition accounting in the form of a purchase price allocation was undertaken and therefore the assets and liabilities have not been remeasured to fair value nor has any goodwill arisen. Rather, the TWE Group has elected to account for business combinations under common control at carrying value and accordingly all assets and liabilities acquired by the TWE Group as a result of the demerger have been recognised at values consistent with the carrying value of those assets and liabilities in Foster's Group's accounts immediately prior to the demerger.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

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

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

The assets and liabilities that remained with Foster's Group and are no longer recognised by the TWE Group following the demerger are as follows:

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

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

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

Note 4. Revenue, income and expenses

	2011 $m	2010 $m
Revenue		
Sales revenue*	**1,461.8**	1,434.8
Net sales revenue	**1,461.8**	1,434.8
Other revenue	**13.1**	10.6
Total other revenue	**13.1**	10.6
Total revenue	**1,474.9**	1,445.4
Other income		
Net profit on disposal of		
- property, plant and equipment	**1.7**	1.4
Total other income	**1.7**	1.4
Depreciation of property, plant and equipment	**(71.7)**	(95.2)
Amortisation of intangible assets	**(0.2)**	-
Net agriculture valuation movement	**(24.1)**	(66.1)

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 4. Revenue, income and expenses (continued)

	2011 $m	2010 $m
Finance income		
- Foster's Group entities (formerly related parties)	**162.8**	103.7
- other persons	**6.7**	0.3
Finance costs		
- Foster's Group entities (formerly related parties)	**(85.8)**	(43.9)
- other persons	**(17.3)**	(43.0)
Net finance costs	**66.4**	17.1
Other disclosures		
- doubtful debts expense	**(1.2)**	(0.7)
Write-down in value of inventories	**(1.1)**	(0.8)
Rental expense relating to operating leases	**(20.0)**	(19.2)
Impairment of non-current assets:		
- property, plant and equipment (note 15)	**-**	(174.8)
- intangible assets (note 17)	**-**	(858.3)
- assets held for sale (note 14)	**(2.5)**	(0.6)

Note 5. Material items

	Note	2011 $m	2010 $m
Individually material items included in profit/(loss) before income tax:			
2010 wine asset impairment			
- goodwill (tax impact $nil)	17	**-**	(759.9)
- brand names (tax benefit applicable: $17 million)	17	**-**	(98.4)
- property, plant and equipment (tax benefit applicable: $66.4 million)	17	**-**	(174.8)
- agriculture asset fair value adjustments (tax benefit applicable: $14.4 million)		**-**	(48.1)
Total impairment charges		**-**	(1,081.2)
Wine review and business restructure impairment charges and provisions			
- Wine assets held for sale (tax expense applicable $8.6 million)		**-**	26.0
- other asset provisions (tax benefit applicable $1.8 million)		**-**	(5.1)
- employee provisions (tax expense applicable $1.8 million)		**-**	5.1
Total material items (tax benefit applicable $89.2 million)		**-**	(1,055.2)

Total consolidated material items after tax is nil (2010: $966.0 million).

Material item expenditure of $nil (2010: $1,055.2 million) has been disclosed under other expenses.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 6. Income tax

	2011 $m	2010 $m
The major components of income tax expense/(benefit) are:		
Current income tax	**(15.8)**	(12.7)
Deferred income tax	**36.0**	(43.5)
Total tax expense (benefit)	**20.2**	(56.2)
Deferred income tax (revenue)/expense included in the income tax expense/(benefit) comprises		
- decrease/(increase) in deferred tax assets	**24.7**	58.4
- (decrease)/increase in deferred tax liabilities	**11.3**	(101.9)
Deferred income tax	**36.0**	(43.5)
The amount of income tax expense/(benefit) as shown in the statement of comprehensive income differs from the prima facie income tax expense/(benefit) attributable to earnings. The differences are reconciled as follows:		
Profit/(loss) before tax excluding material items	**84.6**	99.0
Material items before tax	**-**	(1,055.2)
Profit/(loss) before tax including material items	**84.6**	(956.2)
Prima facie income tax expense/(benefit) attributable to profit/(loss) from operations calculated at the rate of 30% (2010: 30%) tax effect of:	**25.4**	(286.9)
(Recognition)/utilisation of tax losses	**-**	-
Non taxable income and profits, net of non-deductible expenditure	**(1.3)**	(6.3)
Impairment provision	**-**	226.3
Other deductible items	**(0.6)**	-
Tax losses booked/(recouped)	**(2.4)**	-
Change in tax rate	**(4.4)**	-
Foreign tax rate differential	**3.3**	(6.0)
Other	**(4.5)**	16.7
Under/(over) provisions in previous years	**4.7**	-
Total tax expense/(benefit) including material items	**20.2**	(56.2)
Income tax (benefit)/expense on operations	**20.2**	33.0
Income tax (benefit)/expense attributable to material items	**-**	(89.2)
Income tax (benefit)/expense including material items	**20.2**	(56.2)
Deferred income tax relates to the following:		
Movement in deferred tax assets:		
Opening balance	**262.4**	332.0
- credited/(charged) to the income statement	**(24.7)**	(58.4)
- foreign currency translation movement	**(41.9)**	(11.2)
- other	**(17.0)**	-
Closing balance	**178.8**	262.4
Movement in deferred tax liabilities:		
Opening balance	**310.2**	431.9
- (credited)/charged to the income statement	**11.3**	(101.9)
- foreign currency translation movement	**(63.6)**	(19.8)
Closing balance	**257.9**	310.2
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/(credited) directly to equity	**-**	-
Net deferred tax – debited/(credited) directly to equity	**(4.7)**	(8.6)
Total current and deferred tax recognised directly in equity	**(4.7)**	(8.6)

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 6. Income tax (continued)

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 $97.7 million (2010: nil).

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

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

	2011 $m	2010 $m
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Inventory	**19.6**	18.3
Fixed assets	**0.2**	0.3
Accruals	**16.0**	2.3
Provisions	**69.8**	113.0
Deferred interest	**1.6**	29.2
Foreign exchange	**2.1**	2.2
Tax losses	**62.9**	61.9
Other	**6.6**	35.2
Total deferred tax assets	**178.8**	262.4
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Inventory	**22.2**	23.0
Fixed assets	**113.5**	123.0
Intangibles	**120.6**	149.2
Foreign exchange	**1.1**	5.9
Other	**0.5**	9.1
Total deferred tax liabilities	**257.9**	310.2

Demerger impact on tax balances

On 20 May 2011, the TWE Group entities in Australia left the Foster's Group Australian tax consolidated group. The contribution amount under the tax sharing agreement was determined and paid by the exiting entities pursuant to the tax sharing agreement. Deeds of release were entered into and executed by the TWE Group entities pursuant to the tax sharing agreement. These deeds together with the contribution amount above should result in the exiting entities leaving the Foster's Group Australian tax consolidated group clear from any further income tax liability relating to the period during which they were part of the group.

The Company intends to notify the ATO of its intention to elect to form a consolidated group for income tax purposes before 15 September 2011 with each of its wholly-owned Australian resident subsidiaries with effect from 21 May 2011. Under the current tax consolidation rules, the tax cost of assets brought into the income tax consolidated group by members that join the consolidated group is required to be reset under the tax cost setting process. Work performed to date is based on available information and estimates that the effect of the tax cost setting process will decrease the tax cost of depreciable assets which has resulted in an increase in deferred tax liabilities of approximately $2 million. It is possible that this estimate may vary when additional information becomes available.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

The Australian Federal Government has recently proposed amendments to Australian tax laws, to apply to demergers after 9 November 2010, which are intended to ensure the tax costs of the assets of the wholly-owned subsidiaries of a demerged entity are retained when they form a new income tax consolidated group. If these reforms are enacted, it is anticipated that the members that join the TWE income tax consolidated group subsequent to the demerger will inherit the cost bases of assets from the Foster's Group income tax consolidated group, without the requirement to reset the tax cost under the tax cost setting process discussed above and as a result the $2 million impact on deferred tax liabilities may need to be reversed.

It is intended that the Australian members of the TWE Group will enter into a tax sharing agreement pursuant to which the subsidiaries may be required to contribute to the tax liabilities of the group in the event of default by the head entity or upon leaving the group. At 30 June 2011, the possibility of default by the head entity was remote.

Ongoing tax audits

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

Note 7. Segment results

2011	ANZ $m	Americas $m	Asia $m	EMEA $m	Corporate $m	Intersegment Elimination $m	Consolidated $m
Total revenue comprises							
Net sales revenue	**529.1**	**794.7**	**81.9**	**56.1**	**-**	**-**	**1,461.8**
Other revenue	**9.5**	**1.6**	**0.2**	**0.6**	**1.2**	**-**	**13.1**
Inter-segment revenue	**255.8**	**6.7**	**-**	**19.5**	**-**	**(282.0)**	**-**
Total segment revenue (excluding other income/interest)	**794.4**	**803.0**	**82.1**	**76.2**	**1.2**	**(282.0)**	**1,474.9**
Management EBITS	**7.7**	**88.2**	**26.2**	**6.2**	**(86.0)**		**42.3**
SGARA loss	**(18.3)**	**(5.8)**	**-**	**-**	**-**		**(24.1)**
Material items	**-**	**-**	**-**	**-**	**-**		**-**
Management EBIT	**(10.6)**	**82.4**	**26.2**	**6.2**	**(86.0)**		**18.2**
Net finance income							**66.4**
Consolidated earnings before tax							**84.6**
Depreciation of property, plant and equipment	**46.9**	**23.7**	**-**	**1.1**	**-**		**71.7**
Amortisation of intangible assets	**-**	**-**	**-**	**-**	**0.2**		**0.2**
Share of profit of associates and joint ventures	**(0.2)**	**-**	**-**	**-**	**-**		**(0.2)**
Capital expenditure	**40.5**	**29.6**	**-**	**0.9**	**0.1**		**71.1**
Segment assets (excluding intersegment assets)	**1,855.5**	**1,247.4**	**26.6**	**309.3**	**264.9**		**3,703.7**

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 7. Segment results (continued)

2010	ANZ $m	Americas $m	Asia $m	EMEA $m	Corporate $m	Intersegment Elimination $m	Consolidated $m
Total revenue comprises							
Net sales revenue	435.0	933.0	66.3	0.5	-	-	1,434.8
Other revenue	8.4	1.1	0.2	0.9	-	-	10.6
Inter-segment revenue	278.7	6.8	-	22.5	-	(308.0)	-
Total segment revenue (excluding other income/interest)	722.1	940.9	66.5	23.9	-	(308.0)	1,445.4
Management EBITS	(24.4)	101.8	23.1	0.4	(0.1)		100.8
SGARA loss	(15.8)	(2.2)	-	-			(18.0)
Material items	(985.9)	(70.2)	-	-			(1,056.1)
Management EBIT	(1,026.1)	29.4	23.1	0.4	(0.1)		(973.3)
Net finance income							17.1
Consolidated earnings before tax							(956.2)
Depreciation of property, plant and equipment	63.4	30.2	-	1.6	-		95.2
Amortisation of intangible assets	-	-	-	-	-		-
Share of profit of associates and joint ventures	-	-	-	-	-		-
Capital expenditure	48.4	28.3	-	1.0	0.4		78.1
Segment assets (excluding intersegment assets)	6,127.9	1,550.0	0.1	37.6	1,889.1		9,604.7

Management EBITS

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

Segment assets

Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment. Cash, tax and Corporate related assets are not considered to be operating assets and are therefore excluded from segment assets, and instead included in the Corporate column.

Americas external revenue predominantly includes amounts derived in the United States of America and from Canada.

All non-current assets in Americas are held in the United States.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 8. Earnings per share

	2011 Cents Per Share	2010 Cents Per Share
Basic earnings per share		
Basic earnings per share (cents) based on net (loss)/profit attributable to members of Treasury Wine Estates Limited	**18.4**	(1,025.8)
Diluted earnings per share		
Diluted earnings per share (cents) based on net (loss)/profit attributable to members of Treasury Wine Estates Limited	**18.4**	(1,025.8)
	Number	**Number**
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (in thousands)	**348,003**	87,769
Effect of dilution:		
Deferred shares and options (in thousands)	**152**	-
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share (in thousands)	**348,155**	87,769
Earnings Reconciliation	**$m**	**$m**
Basic earnings per share		
Net profit/(loss)	**64.4**	(900.0)
Net (profit)/loss attributable to non-controlling interests	**(0.3)**	(0.6)
Net profit/(loss) attributable to members of Treasury Wine Estates Limited used in calculating basic earnings per share	**64.1**	(900.6)
Diluted earnings per share		
Net profit/(loss)	**64.4**	(900.0)
Net (profit)/loss attributable to non-controlling interests	**(0.3)**	(0.6)
Net profit/(loss) attributable to members of Treasury Wine Estates Limited used in calculating diluted earnings per share	**64.1**	(900.6)

Note 9. Dividends

A final dividend of 6.0 cents per share, 50% franked, was declared on 22 August 2011. This dividend has not been recognised as a financial liability in the financial statements. No other dividends were proposed or declared during the year (2010: nil).

The record date for determining an entitlement to receipt of the final dividend is 5pm, Wednesday 7 September 2011.

Dividend Franking Account

As at 30 June, the amount of franking credits available for subsequent years is nil (2010: nil). The franking debit which will arise when the dividend declared post year-end is paid is $8.3 million.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 10. Cash and cash equivalents

	2011 $m	2010 $m
At bank, on hand and in transit	**63.7**	37.1
On deposit	**1.1**	-
Total cash and cash equivalents	**64.8**	37.1

Note 11. Receivables

Current		
Trade debtors	**367.3**	235.6
Provision for doubtful debts	**(2.0)**	(1.5)
Other debtors	**71.7**	17.7
Loans to other persons	**0.7**	1.5
Receivable from Foster's Group entities (formerly related parties)	**-**	5,930.4
Prepayments and deferred expenses	**13.9**	14.7
Total current receivables	**451.6**	6,198.4
Non-current		
Other debtors	**1.0**	0.4
Prepayments and deferred expenses	**-**	0.4
Total non-current receivables	**1.0**	0.8

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

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. The foreign currency denomination of amounts due from Foster's Group entities is set out in note 19(d).

All Balances Translated to AUD	AUD $m	USD $m	GBP $m	Other $m	Total $m
2011					
Trade receivables (net of provision for doubtful debts)	**131.8**	**167.8**	**35.0**	**30.7**	**365.3**
Other receivables	**52.8**	**10.7**	**6.9**	**3.0**	**73.4**
Total receivables	**184.6**	**178.5**	**41.9**	**33.7**	**438.7**
2010					
Trade receivables (net of provision for doubtful debts)	30.4	203.0	-	0.7	234.1
Other receivables	4.9	13.0	-	1.7	19.6
Total receivables	35.3	216.0	-	2.4	253.7

Credit risk

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

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

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

	2011 $m	2010 $m
Not past due	**276.5**	162.8
Past due 1-30 days	**83.9**	28.3
Past due 31-60 days	**3.1**	9.3
Past due 61 days+	**1.8**	33.7
Total	**365.3**	234.1
Comprising		
Current	**365.3**	234.1

There are no other receivables that are overdue.

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

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

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

As at 30 June 2011 the amount of the provision for doubtful debts was $2.0 million (2010: $1.5 million). The movement in the provision for trade doubtful debts is outlined below.

	2011 $m	2010 $m
Opening provision for doubtful debts	**(1.5)**	(2.2)
Add additional provisions raised	**(1.2)**	(0.7)
Less amounts used	**1.0**	1.5
Less amounts reversed	**-**	-
Foreign exchange differences	**(0.3)**	(0.1)
Closing provision for doubtful debts	**(2.0)**	(1.5)

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 12. Inventories

	2011 $m	2010 $m
Current		
Raw materials and stores	**18.1**	20.4
Work in progress	**473.6**	447.2
Finished goods	**276.8**	221.7
Total current inventories	**768.5**	689.3
Non-current		
Work in progress	**196.7**	324.3
Total non-current inventories	**196.7**	324.3
Total inventories	**965.2**	1,013.6

Note 13. Investments

	Note	2011 $m	2010 $m
Investments accounted for using the equity method	(a)	**8.9**	9.3
Other investments	(b)	**-**	52.7
Total investments		**8.9**	62.0

(a) Investments accounted for using the equity method

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 TWE Group.

			Ownership Interest	
Name of Entity	**Country of Incorporation**	**Reporting Date**	**2011 %**	**2010 %**
Fiddlesticks LLC	United States of America	31 December	**50.0**	50.0
Judd Road Vineyards Limited	New Zealand	30 June	**50.0**	50.0
Make Wine Pty Ltd	Australia	30 June	**50.0**	50.0
Make Wine Trust	Australia	30 June	**50.0**	50.0
Oak Vale Vineyard Limited	New Zealand	30 June	**50.0**	50.0
Rapuara Vintners Limited	New Zealand	30 June	**50.0**	50.0

(b) Other investments

Other investments in 2010 represent the TWE Group's 20% investment in EMEA Investments Limited (UK). As part of the demerger of the TWE Group from the Foster's Group, the TWE Group disposed of this investment.

Note 14. Assets classified as held for sale

	2011 $m	2010 $m
Assets		
Production and distribution facilities	**12.4**	25.6
Total assets classified as held for sale	**12.4**	25.6

Assets held for sale include Australian vineyards and wineries.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 15. Property, plant and equipment

	2011 $m	2010 $m
Land		
At cost	**265.8**	303.5
Freehold buildings and improvements		
At cost	**319.4**	347.0
Accumulated depreciation and impairment	**(120.2)**	(131.5)
	199.2	215.5
Leasehold buildings and improvements		
At cost	**46.4**	59.3
Accumulated depreciation and impairment	**(25.1)**	(28.5)
	21.3	30.8
Plant and equipment		
At cost	**1,034.2**	1,073.8
Accumulated depreciation and impairment	**(635.7)**	(683.4)
Projects in progress at cost	**27.9**	65.7
	426.4	456.1
Total property, plant and equipment	**912.7**	1,005.9

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	
	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m
Carrying amount at start of year	**303.5**	350.2	**215.5**	257.7	**30.8**	45.6	**456.1**	562.3	**1,005.9**	1,215.8
Additions	**-**	-	**5.1**	1.7	**1.0**	-	**65.0**	62.9	**71.1**	64.6
Assets classified as held for sale	**-**	4.8	**-**	5.6	**-**	(4.9)	**-**	18.2	**-**	23.7
Disposals	**-**	-	**-**	-	**(1.0)**	-	**(0.3)**	(0.8)	**(1.3)**	(0.8)
Impairment	**-**	(43.6)	**-**	(33.4)	**-**	(3.8)	**-**	(94.0)	**-**	(174.8)
Depreciation expense	**-**	-	**(5.9)**	(6.3)	**(4.0)**	(3.4)	**(61.8)**	(85.5)	**(71.7)**	(95.2)
Foreign currency exchange	**(37.7)**	(7.9)	**(15.5)**	(9.8)	**(5.5)**	(2.7)	**(32.6)**	(7.0)	**(91.3)**	(27.4)
Carrying amount at end of year	**265.8**	303.5	**199.2**	215.5	**21.3**	30.8	**426.4**	456.1	**912.7**	1,005.9

Note 16. Agricultural assets

	2011 $m	2010 $m
Agricultural assets	**180.5**	193.7
Total agricultural assets	**180.5**	193.7

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 16. Agricultural assets (continued)

TWE has total vineyard resources of around 11,015 hectares (2010: 12,463 hectares). These vineyards provide the TWE Group with access to some of Australia's highest quality super premium fruit from regions such as the Barossa Valley in central South Australia, Coonawarra in south-eastern South Australia and the Hunter Valley in New South Wales. Other Australian vineyards are also located in the Clare Valley, Eden Valley, Great Western, Heathcote, Langhorne Creek, the Limestone Coast, McLaren Vale, Margaret River, Mornington Peninsula, Mudgee, Murray Valley, Padthaway, Robe, and the Yarra Valley. TWE also holds vineyards in North America (mainly Napa Valley and Sonoma County), Italy and New Zealand.

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

Of the total land area under vine around 1,784 hectares (2010: 1,696 hectares) is under lease arrangements. The TWE Group also has around seven hectares (2010: seven hectares) of olive groves in the Tuscany region of Italy.

During the fiscal year, TWE Group's owned and leased vineyards yielded 79,652 tonnes of grapes (2010: 116,636 tonnes). Northern Hemisphere harvest of vines normally occurs in September – October, with Southern hemisphere harvest around March – April.

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

The measurement basis for vines and grapes as prescribed by AASB 141 'Agriculture' has resulted in a net loss before tax of $24.1 million (2010: loss before tax of $66.1 million) comprising a decrement in vines valuation of nil (2010: $46.9 million loss) and loss on grape valuation of $24.1 million (2010: $19.2 million loss) being recognised. The loss on grape valuation includes the impact of the 2011 South East Australian climatic conditions.

Reconciliations

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

	2011 $m	2010 $m
Consolidated		
Carrying amount at start of year	**193.7**	237.4
Acquisitions	**3.2**	2.6
Fair value increment (decrement)	**-**	(46.9)
Transfers from/(to) assets held for sale	**-**	17.3
Foreign currency exchange	**(16.4)**	(16.7)
Carrying amount at end of year	**180.5**	193.7

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 17. Intangible assets

	2011 $m	2010 $m
Brand names and licences		
Brand names and licences at cost	**871.4**	789.7
IT development costs		
At cost	**50.8**	-
Accumulated amortisation	**(0.2)**	-
	50.6	-
Goodwill		
Goodwill at cost	**5.1**	5.3
Total intangible assets	**927.1**	795.0

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	
	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m
Consolidated								
Carrying amount at start of year	**789.7**	910.0	**-**	-	**5.3**	825.9	**795.0**	1,735.9
Acquisitions	**163.5**	-	**50.8**	-	**-**	-	**214.3**	-
Transfers from/(to) assets held for sale	**-**	0.4	**-**	-	**-**	-	**-**	0.4
Impairment	**-**	(98.4)	**-**	-	**-**	(759.9)	**-**	(858.3)
Amortisation expense	**-**	-	**(0.2)**	-	**-**	-	**(0.2)**	-
Foreign currency exchange	**(81.8)**	(22.3)	**-**	-	**(0.2)**	(60.7)	**(82.0)**	(83.0)
Carrying amount at end of year	**871.4**	789.7	**50.6**	-	**5.1**	5.3	**927.1**	795.0

Recoverable amount of cash-generating units (CGUs)

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

- Australia and New Zealand (ANZ)
- Americas
- Europe, Middle East and Africa (EMEA)

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 17. Intangible assets (continued)

Australia and New Zealand (ANZ)

In 2011, the carrying value of the ANZ CGUs net assets was determined to be not in excess of their recoverable amount and accordingly no impairment was evident in 2011. However, in 2010, an impairment charge of $962.9 million was recognised in respect to the ANZ CGUs net assets. This impairment primarily resulted from adverse exchange rates movements and changes in the discount rate used to present value cash flows.

Americas

In 2011, the carrying value of the Americas CGUs net assets was determined to be not in excess of their recoverable amount and accordingly no impairment was evident in 2011. However, in 2010, an impairment charge of $70.1 million was recognised in respect to the Americas CGUs net assets. This impairment primarily resulted from adverse exchange rates movements and changes in the discount rate used to present value cash flows.

EMEA

As the EMEA CGU was first acquired as part of the demerger of Treasury Wine Estates from Foster's Group in 2011, the EMEA CGU was first assessed for impairment by the TWE Group in 2011. The outcome of this assessment was that the carrying value of the EMEA CGUs net assets in 2011 was determined to be not in excess of their recoverable amount and accordingly no impairment was evident in 2011.

Key assumptions and sensitivities

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

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

	2011	2010
ANZ	**14.0%**	14.0%
Americas	**13.5%**	13.5%
EMEA	**14.0%**	Not applicable

Long term growth rate – cash flows beyond a five year period are extrapolated using a growth rate of 3% (2010: 3%). The growth rate does not exceed the long term growth rate for the business in which the CGU operates.

Exchange rate – the fair value less costs to sell CGU tests converted forecast foreign currency cash flows at the exchange rate expected to be in place at the time of the forecast transaction. Most foreign currency cash flows are denominated in USD and GBP. The recoverable amount test included a forecast USD exchange rate of A$1 – USD $1.00 for 2011 declining over a five year forecast period to $A = USD $0.92 (30 June 2010: A$1 = USD $0.91 declining over a five year forecast period to A$1 = USD $0.73) and a GBP exchange rate of A$1 = GBP 0.62 for 2011 and declining over a five year forecast period to A$1 = GBP 0.55 (30 June 2010: A$1 = 0.43 graduating up over a five year forecast period to A$1 = GBP 0.46).

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

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

A change of +1 cent/pence in both the USD and the GBP exchange rate would not cause the carrying amount to exceed the recoverable amount of the ANZ, Americas and EMEA CGUs.

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

The following table outlines the allocation of the impairment losses, including for completeness those referable to items of property, plant and equipment, across the appropriate assets of each CGU.

	Americas		EMEA		ANZ		Total	
	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m
Impairment loss arising from CGU recoverable amount test:								
Goodwill	-	-	-	-	-	759.9	-	759.9
Brand names	-	45.1	-	-	-	53.3	-	98.4
Property, plant and equipment	-	25.1	-	-	-	149.7	-	174.8
Total CGU recoverable amount write-downs	-	70.2	-	-	-	962.9	-	1,033.1

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

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

	Americas		EMEA		ANZ		Total	
	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m	2011 $m	2010 $m
Carrying amount of goodwill	-	-	**5.1**	5.3	-	-	**5.1**	5.3
Goodwill expensed in the statement of comprehensive income	-	-	-	-	-	759.9	-	759.9
Carrying amount of indefinite life brand names	**316.3**	397.8	**166.2**	2.8	**388.9**	389.1	**871.4**	789.7
Indefinite life brand names expensed in the statement of comprehensive income	-	45.1	-	-	-	53.3	-	98.4

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

Indefinite life brand names

Brand names with a carrying value of $871.4 million (2010: $789.7 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. As part of the demerger, the Rosemount and Lindeman's brands were acquired by TWE. The other key individual brand names in the wine portfolio are Penfolds, Beringer and Wolf Blass.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 18. Payables

	2011 $m	2010 $m
Current		
Trade creditors	**126.5**	94.2
Other creditors	**242.7**	142.1
Amounts due to Foster's Group entities (former related parties)	**-**	10,546.6
Total current payables	**369.2**	10,782.9
Non-current		
Other creditors	**-**	1.3
Total non-current payables	**-**	1.3

Trade payables are normally settled within 60 days (2010: 60 days) from the date of invoice 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. The foreign currency denomination of amounts due to Foster's Group entities is set out in note 19(d).

All Balances Translated to AUD	AUD $m	USD $m	GBP $m	Other $m	Total $m
2011					
Trade creditors	**71.2**	**37.7**	**7.6**	**10.0**	**126.5**
Other creditors	**130.2**	**64.8**	**29.9**	**17.8**	**242.7**
Total creditors	**201.4**	**102.5**	**37.5**	**27.8**	**369.2**
2010					
Trade creditors	47.8	39.3	-	7.1	94.2
Other creditors	23.8	118.4	-	1.2	143.4
Total creditors	71.6	157.7	-	8.3	237.6

Note 19. Financial risk management objectives and policies

Capital structure and financial risk management framework

TWE's centralised Treasury function is delegated operational responsibility by the TWE Board for the identification and management of the Company's financial risks in accordance with the TWE Treasury Policy, which sets out the TWE 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 TWE Treasury Policy is reviewed at least annually and approved by the TWE's Board of Directors.

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

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

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

	Note	Liquidity	Interest Rate	Foreign Exchange	Credit
Borrowings	21	X	X	X	
Receivables	11	X		X	X
Other financial assets				X	
Payables	18	X		X	
Derivative financial assets and liabilities	20		X	X	X

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

(a) Liquidity risk

TWE Group's approach to managing liquidity risk 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 TWE Group's financial obligations as and when they fall due.

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

	2011 $m	2010 $m
Committed arrangements/facilities available to TWE Group:		
- Arrangements to provide standby funds and/or support facilities	**500.0**	382.4
- Amounts utilised	**(137.5)**	-
Amount of credit unused	**362.5**	382.4

The TWE Group is in compliance with all undertakings under its various financing arrangements. Unused facilities totalling $362.5 million (2010: $382.4 million) have maturity dates beyond 12 months of balance date.

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

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 19. Financial risk management objectives and policies (continued)

	Maturing in:						
2011	**6 Months or Less $m**	**6 Months to 1 Year $m**	**1 to 2 Years $m**	**2 to 5 Years $m**	**Over 5 Years $m**	**Contractual Total $m**	**Carrying Amount $m**
Bank loans*	**2.1**	**1.5**	**2.9**	**137.6**	**-**	**144.1**	**135.4**
144a Bonds – Foster's Finance Corp	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amounts due to Foster's Group entities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other loans	**-**	**1.1**	**-**	**-**	**-**	**1.1**	**1.1**
Interest rate swaps – fixed	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Forward foreign exchange contracts	**0.6**	**-**	**-**	**-**	**-**	**0.6**	**0.6**
Trade creditors	**126.5**	**-**	**-**	**-**	**-**	**126.5**	**126.5**
Other creditors	**242.7**	**-**	**-**	**-**	**-**	**242.7**	**242.7**
Total financial liabilities	**371.9**	**2.6**	**2.9**	**137.6**	**-**	**515.0**	**506.3**

	Maturing in:						
2010	**6 Months or Less $m**	**6 Months to 1 Year $m**	**1 to 2 Years $m**	**2 to 5 Years $m**	**Over 5 Years $m**	**Contractual Total $m**	**Carrying Amount $m**
Bank loans	-	-	-	-	-	-	-
144a Bonds – Foster's Finance Corp	19.5	346.4	17.2	426.0	-	809.1	709.9
Amounts due to Foster's Group entities	10,546.6	-	-	-	-	10,546.6	10,546.6
Other loans	-	-	-	-	1.7	1.7	1.7
Interest rate swaps – fixed	-	(9.1)	-	-	-	(9.1)	(9.1)
Forward foreign exchange contracts	-	-	-	-	-	-	-
Trade creditors	94.2	-	-	-	-	94.2	94.2
Other creditors	142.1	-	-	-	-	142.1	142.1
Total financial liabilities	10,802.4	337.3	17.2	426.0	1.7	11,584.6	11,485.4

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

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

(b) Capital management

TWE 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 TWE Group over the long term.

The key objectives include:

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

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 TWE 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.

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

	2011 $m	2010 $m
Financial assets		
Cash and cash equivalents	**64.8**	37.1
Foster's Group Limited – loan asset	**-**	3,722.4
Total assets	**64.8**	3,759.5
Financial liabilities		
Bank loans	**(135.4)**	-
144a Bonds – Foster's Finance Corp	**-**	(276.5)
Foster's Group Limited – loan liability	**-**	(1,246.2)
Fixed rate interest swaps	**-**	9.1
Total liabilities	**(135.4)**	(1,513.6)

TWE Treasury, in managing the TWE Group's interest rate risk, will have regard to the underlying operating cash flows available to service the TWE Group's interest obligations. The majority of the TWE Group's interest rate risk arises from borrowings. Other sources of interest rate risk for the TWE Group may include interest bearing investments, creditors accounts offering a discount and debtors accounts on which discounts are offered. The TWE 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 TWE Group's weighted average floating interest rates had changed from the year-end rates of 2.14% (2010: 4.21%) with all other variables held constant.

	Sensitivity Assumption		Pre-Tax Impact on Profit			
Currency	**2011**	**2010**	**2011**		**2010**	
			- $m	**+ $m**	**- $m**	**+ $m**
United States dollar	**+/-25bp**	+/-25bp	**0.3**	**(0.3)**	1.2	(1.2)
Australian dollar	**+/-25bp**	+/-25bp	**-**	**-**	(6.9)	6.9
Great Britain pound	**+/-25bp**	+/-25bp	**-**	**-**	0.2	(0.1)

The movements in profit on a consolidated level are primarily a result of interest costs from borrowings. There would have been no significant impact on equity (2010: nil impact).

(d) Foreign exchange risk

The focus of the TWE Group's foreign exchange risk management activities is on its transactional foreign exchange exposure in relation to the underlying currency net cash flows. The TWE 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 pound (GBP).

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 19. Financial risk management objectives and policies (continued)

The currencies in which these transactions are primarily denominated are AUD, USD, GBP and Euros (EUR). TWE Group's approach to foreign exchange risk management will develop over time, and is subject to change or alteration in accordance with Board approved policies.

TWE Treasury, in managing the TWE Group's transactional foreign exchange, will have regard to the underlying currency net cash flows of the TWE Group, comprising operating, investing and financing cash flows. The TWE Group's foreign currency transaction exposure may be managed using derivative financial instruments, which include foreign exchange options and forward exchange contracts. Details of foreign exchange options and forward exchange contracts at reporting date are outlined in note 20.

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
2011					
Cash and cash equivalents	**13.8**	**11.3**	**8.1**	**31.6**	**64.8**
Foster's Group Limited – loan asset	**-**	**-**	**-**	**-**	**-**
Bank loans	**-**	**(135.4)**	**-**	**-**	**(135.4)**
144a Bonds – Foster's Finance Corp	**-**	**-**	**-**	**-**	**-**
Foster's Group Limited – loan liability	**-**	**-**	**-**	**-**	**-**
Other loans	**(1.1)**	**-**	**-**	**-**	**(1.1)**
Fixed rate debt – fair value	**-**	**-**	**-**	**-**	**-**
Interest rate swaps to fixed rate debt	**-**	**-**		**-**	**-**
Net debt	**12.7**	**(124.1)**	**8.1**	**31.6**	**(71.7)**
2010					
Cash and cash equivalents	0.8	34.5	(0.7)	2.5	37.1
Foster's Group Limited – loan asset	3,991.3	1,933.3	(18.2)	24.0	5,930.4
Bank loans	-	-	-	-	-
144a Bonds – Foster's Finance Corp	-	(666.3)	-	-	(666.3)
Foster's Group Limited – loan liability	(8,237.1)	(2,216.3)	(66.3)	(26.9)	(10,546.6)
Other loans	(1.7)	-	-	-	(1.7)
Fixed rate debt – fair value	-	(43.6)	-	-	(43.6)
Interest rate swaps to fixed rate debt	-	9.1	-	-	9.1
Net debt	(4,246.7)	(949.3)	(85.2)	(0.4)	(5,281.6)

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

	Sensitivity Assumption*		Pre-Tax Impact on Profit				Impact on Equity			
	2011	2010	2011		2010		2011		2010	
Currency			+ $m	- $m	+ $m	- $m	+ $m	- $m	+ $m	- $m
United States dollar	**14.2%**	17.2%	**(1.7)**	**2.3**	38.9	(55.0)	**(109.1)**	**145.2**	(130.2)	184.2
Great Britain pound	**12.2%**	15.0%	**(4.1)**	**5.2**	11.0	(14.9)	**(10.1)**	**12.8**	1.2	(1.7)
Euro	**12.4%**	14.7%	**(2.3)**	**3.0**	3.6	(4.9)	**(2.9)**	**3.7**	(3.7)	5.0
Canadian dollar	**10.0%**	10.9%	**(1.6)**	**2.0**	(2.1)	2.7	**-**	**-**	-	-
New Zealand dollar	**9.1%**	8.6%	**(0.1)**	**0.1**	(2.3)	2.7	**(6.8)**	**8.1**	(9.1)	10.8

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

(e) Credit risk

Credit risk arises from the financial assets of the TWE Group, which comprise cash and cash equivalents, trade and other receivables, derivative instruments (including financial guarantees). Credit risk for financial assets which have been recognised in the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts. The maximum counterparty credit risk exposure at 30 June in respect of derivative financial instruments was $0.6 million (2010: $9.1 million) and in respect to cash investments was nil (2010: nil).

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

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

(f) Fair values

The fair values of cash and cash equivalents and financial assets and financial liabilities in respect of 144a Bonds, 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 TWE 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 TWE 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 TWE Group at reporting date are:

	2011 Carrying Amount $m	**2010 Carrying Amount $m**	**2011 Fair Value $m**	**2010 Fair Value $m**
Cash and deposits	**64.8**	37.1	**64.8**	37.1
Loans and receivables				
Trade debtors	**365.3**	234.1	**365.3**	234.1
Other debtors	**72.7**	18.1	**72.7**	18.1
Loans to other persons	**0.7**	1.5	**0.7**	1.5
Foster's Group Limited – loan receivable	**-**	5,930.4	**-**	5,930.4
Financial assets designated as hedged items				
Interest rate swaps – fixed	**-**	9.1	**-**	9.1
Forward foreign exchange contracts	**0.7**	-	**0.7**	-
Total financial assets	**504.2**	6,230.3	**504.2**	6,230.3

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 19. Financial risk management objectives and policies (continued)

	2011 Carrying Amount $m	2010 Carrying Amount $m	2011 Fair Value $m	2010 Fair Value $m
Financial liabilities at amortised cost				
Payables	**369.2**	236.3	**369.2**	236.3
Bank loans	**135.4**	-	**135.4**	-
Foster's Group Limited – loan payable	**-**	10,546.6	**-**	10,546.6
Other loans	**1.1**	1.7	**1.1**	1.7
Financial liabilities designated as hedged items				
144a Bonds – Foster's Finance Corp	**-**	666.3	**-**	666.3
Fair value hedge – borrowings	**-**	43.6	**-**	43.6
Forward foreign exchange contracts	**0.6**	-	**0.6**	-
Total financial liabilities	**506.3**	11,494.5	**506.3**	11,494.5

Bank loans represent loans denominated in USD.

For all other assets and liabilities, based on the facts and circumstances existing at reporting date and the nature of the TWE Group's assets and liabilities including hedged positions, the TWE 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 20. Derivative financial instruments

	2011 $m	2010 $m
Financial assets		
Interest rate swaps – fixed	**-**	10.2
Forward foreign exchange contracts	**0.7**	-
Total current derivative financial assets	**0.7**	10.2
Financial liabilities		
Interest rate swaps – fixed	**-**	1.1
Forward foreign exchange contracts	**0.6**	-
Total current derivative financial liabilities	**0.6**	1.1

The TWE 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 TWE Group's financial risk management policies.

The TWE Group's foreign currency transactions are primarily denominated in AUD, USD, EUR, GBP, CAD and NZD. At 30 June 2011, there was $33.2 million (Australian dollar equivalent) net face value of outstanding forward exchange contracts at contract rates (2010: nil).

Hedging of gross debt

The TWE Group had interest rate swap agreements in place in 2010 with a notional face value of $276.5 million having variable interest rate margins between 0% and 0.97% above the US Libor market reference rate of 0.75%. These swaps were used to hedge the exposure to changes in the fair value of the underlying debt.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

	2011 $m	2010 $m
Fair value interest rate swap agreements in place at the end of the year to hedge gross debt were:		
Financial assets		
Current interest rate swaps – fixed	**-**	10.2
Non-current interest rate swaps – fixed	**-**	(1.1)
Total interest rate swaps to fixed rate debt	**-**	9.1

The following table shows the movements in the cash flow hedge reserve associated with hedging of gross debt during the period:		
Cash flow hedge reserve – opening	**1.1**	2.4
Amount recognised in equity during the year	**-**	-
Amount removed from equity during the year	**(1.1)**	(1.3)
Cash flow hedge reserve – closing	**-**	1.1

The TWE Group has adopted the amendments to AASB 7 Financial Instruments: Disclosures which 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).

	2011 $m	2010 $m
The TWE Group only holds Level 2 derivative financial instruments as outlined below:		
Financial assets		
Interest rate swaps – fixed	**-**	10.2
Forward foreign exchange contracts	**0.7**	-
Total current derivative financial assets	**0.7**	10.2
Financial liabilities		
Interest rate swaps – fixed	**-**	1.1
Forward foreign exchange contracts	**0.6**	-
Total current derivative financial liabilities	**0.6**	1.1

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 21. Borrowings

	2011 $m	2010 $m
Current		
Unsecured		
- other	**1.1**	319.3
Total current borrowings	**1.1**	319.3
Non-current		
Unsecured		
- other	**135.4**	392.3
Total non-current borrowings	**135.4**	392.3
Total net borrowings consist of:		
Current	**1.1**	319.3
Non-current	**135.4**	392.3
Total borrowings	**136.5**	711.6

Details of major arrangements

Bank loans have an interest rate of 2.14% at year end. In 2010, 144a Bonds had an interest rate of 4.21%.

Receivable purchasing agreement

Treasury Wine Estates EMEA Limited has entered into an uncommitted, non-recourse receivable purchasing agreement to sell certain receivables, from time to time, to an unrelated entity in exchange for cash. The facility limit under the receivable purchasing agreement is GBP 40 million. As at 30 June 2011, Treasury Wine Estates EMEA Limited had sold receivable balances equivalent to GBP 20.5 million in exchange for cash (2010: nil).

Financial guarantees

The Company has financial guarantees to banks and other financiers of $137.5 million (2010: nil) and to other persons of $27.1 million (2010: nil) that could be called upon at any time in the event of a breach of the TWE Group's financial obligations. The Company does not expect any payments will eventuate under these financial guarantees as the Company and the TWE Group entities are expected to meet their respective obligations to the beneficiaries of these guarantees.

Note 22. Provisions

	2011 $m	2010 $m
Current		
Employee entitlements	**38.4**	26.7
Other	**9.1**	20.2
Total current provisions	**47.5**	46.9
Non-current		
Employee entitlements	**3.9**	-
Other	**-**	3.0
Total non-current provisions	**3.9**	3.0

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

	Onerous Contracts $m	Restructuring $m	Warranties/ Other $m	Total $m
2011				
Carrying amount at start of year	**5.1**	**13.4**	**4.7**	**23.2**
Charged/(credited) to comprehensive income	**-**	**(0.3)**	**1.1**	**0.8**
Payments	**(1.0)**	**(9.8)**	**(3.1)**	**(13.9)**
Foreign exchange	**(1.0)**	**-**	**-**	**(1.0)**
Carrying amount at end of year	**3.1**	**3.3**	**2.7**	**9.1**
2010				
Carrying amount at start of year	11.4	15.0	17.0	43.4
Charged/(credited) to comprehensive income	(9.8)	1.2	(3.2)	(11.8)
Payments	(3.9)	(3.1)	(0.9)	(7.9)
Foreign exchange	7.4	0.3	(8.2)	(0.5)
Carrying amount at end of year	5.1	13.4	4.7	23.2

Onerous contract provisions are held for onerous oak barrel lease contracts and wine grape supply contracts that are surplus to requirements.

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

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

Note 23. Contributed equity

	Note	2011 Shares Million	2010 Shares Million
Paid up capital			
Ordinary fully paid shares	(a)	**647.2**	650.0
Opening balance – ordinary fully paid shares		**650.0**	-
Issued for consideration		**3,500.0**	650.0
Share capital consolidation	(b)	**(4,150.0)**	-
Shares issued under the Foster's demerger scheme	(c)	**647.2**	-
Closing balance		**647.2**	650.0

(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) Share consolidation

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

(c) Foster's demerger scheme

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

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 24. Reserves

	Note	2011 $m	2010 $m
Cash flow hedge reserve	(a)	**-**	1.1
Share based payments reserve	(b)	**0.2**	-
Demerger and other reserve	(c)	**170.7**	24.6
Foreign currency translation reserve	(d)	**(404.4)**	(344.7)
Total reserves		**(233.5)**	(319.0)

Nature and purpose of reserves

(a) Cash flow hedge reserve

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

(b) Share based payment reserve

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

(c) Demerger and other reserve

This reserve records the transactions that have been recognised for consolidation purposes between the TWE Group and Foster's Group Limited as a result of:

(i) The inclusion of TWE's Australian entities in the Foster's Australian tax consolidated group prior to those entities exiting that tax group on 20 May 2011. In tax periods during which TWE's Australian entities were in an aggregate net tax payable position, the obligation to settle the tax liabilities referable to TWE's Australian entities was assumed by the parent entity via a contribution to the 'demerger and other reserve' account. Accordingly, up to 30 June 2009 the parent entity had assumed tax liabilities on behalf of TWE's Australian entities in the amount of $46.1 million in respect to the 2006 through 2009 tax years, inclusive. Conversely, and in respect to 2010 tax year (tax refund due $21.5 million) and the period from 1 July 2010 to 20 May 2011 (tax refund due $27 million), respectively, TWE's Australian entities recorded aggregate net tax loss positions and the benefit of those losses were assumed by the parent for consideration recognised via a reduction in the 'demerger and other reserves' account.

(ii) The TWE Group's demerger from Foster's Group. Further detail in respect to the demerger related transactions recorded in the 'demerger and other reserve' is disclosed in notes 2 and 3. Most significantly, the reserve balance at 30 June 2011 reflects the forgiveness of $1.66 billion of amounts owed by entities within the TWE Group to entities in Foster's Group and thereafter a transfer from reserves to retained earnings in the amount of $1.44 billion.

(d) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities within the TWE 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 Directors and executive remuneration and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Directors' Report.

A listing of all executives who were KMP during the year is presented below:

Name	Title
Non-executive Director key management personnel	
MG Ould	Director
ML Cattermole	Director
WL Every-Burns	Director
PA Rayner	Director
Executive key management personnel	
DCM Dearie	Chief Executive Officer/Executive Director
M Fleming	Chief Financial Officer
S Brauer	Managing Director: Americas
PR Jackson	Managing Director: EMEA
AN Davie	Managing Director: Asia

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Key management personnel compensation

The following table shows the compensation paid to key management personnel of TWE and the consolidated group:

	2011 $	2010 $
Short term employee benefits	**3,490,907**	1,995,116
Post-employment benefits	**135,013**	90,450
Share-based payments	**206,669**	235,686
Termination benefits	**-**	-
Total	**3,832,589**	2,321,252

Equity instrument disclosures relating to key management personnel

The number of shares in the Company held by each Director and other key management personnel of the TWE Group, including their related parties, together with the number of Performance Rights granted by the TWE Group as compensation during 2011, is shown in the table below.

	Balance of Shares at Start of Year[1,2]	Shares Acquired During the Year as Part of Remuneration[3]	Shares Acquired through the Year through the Vesting of LTIP[4]	Other Shares Acquired During the Year[5]	Other Changes During the Year	Balance of Shares Held at End of Year
Non-executive Directors						
MG Ould	-	-	-	32,573	-	32,573
ML Cattermole	-	-	-	61,214	-	61,214
WL Every-Burns	-	-	-	1,667	-	1,667
PA Rayner	-	-	-	-	-	-
Non-executive Director total	**-**	**-**	**-**	**95,454**	**-**	**95,454**
Executive key management personnel						
DCM Dearie	-	-	-	118,015	-	118,015
M Fleming	-	-	-	110,974	-	110,974
S Brauer	-	-	-	33,974	-	33,974
PR Jackson	-	-	-	126,803	-	126,803
AN Davie	-	-	-	64,344	-	64,344
Key management personnel total	**-**	**-**	**-**	**454,110**	**-**	**454,110**
Grand total	**-**	**-**	**-**	**549,564**	**-**	**549,564**

1. Includes directly held ordinary shares, nominally held shares, and shares held by related parties of the individual.
2. As the Company was listed as an independent organisation on 10 May 2011, no publicly listed shares were available for trading at the start of the 2011 financial year.
3. 'Shares acquired during the year as part of remuneration' includes shares granted as part of the TWE STI deferral component.
4. All FGL Long Term Incentive Plans were closed out, for TWE Group executives, on demerger. Thus no LTI vesting occurred in the 2011 financial year.
5. 'Other shares acquired during the year' includes shares granted under the Targeted Restricted Shares component of the Employee Share Plan for the purposes of attracting, motivating and retaining key executives as well as, where applicable, ensuring that executives were not disadvantaged by the demerger.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 25. Key management personnel ('KMP') disclosures (continued)

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

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

Some Directors of the Company are also Directors of public companies which have transactions with the TWE 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 2011, the TWE Group has the following share-based payment arrangements:

TWE Restricted Share Plan demerger grants

Targeted Restricted Shares Demerger Awards were made to executives to create immediate alignment with shareholder interests, drive performance during the period post-demerger, and to ensure executives were not disadvantaged.

These grants are subject to forfeiture if the employee resigns from the TWE Group prior to the conclusion of the vesting period applicable to the particular grant, those vesting periods being 1.25 and 2.5 years respectively. Each participant is entitled to receive all cash dividends paid on the Treasury Wine Estates Limited shares and to exercise the voting rights attaching to those shares from the date of allocation of the shares.

Restricted Share Plan	Balance as at 30 June 2010	Shares Offered During the Year	Shares Sold and/or Released	Balance as at 30 June 2011	Number of Current Participants
2011 demerger grant	-	743,784	-	**743,784**	18

Further details of the Restricted Share Plan are included in the Directors' Report (Remuneration Report section).

TWE Long Term Incentive Plan demerger grants

Long term incentive demerger grants were awarded to executives to create alignment with shareholder interests, drive performance during the period post-demerger and for the purposes of retention, and to ensure executives were not disadvantaged. Performance conditions are based on absolute performance standards based on 50% each of TSR and ROCE. These demerger grants have a vesting period of between 1.25 and 2.25 years.

Further details of the Restricted Share Plan are included in the Directors' Report (Remuneration Report section).

For all outstanding LTIP offers, the estimated number of shares that may be granted under LTIP if performance conditions are met is as follows:

LTIP Offer	Number of Current Participants	Number of Shares at Threshold	Number of Shares at Maximum
2012 Vesting	14	493,707	987,414
2013 Vesting	16	532,072	1,064,144

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Fair value of share options granted

The grant date fair value of the rights granted during the year ended 30 June 2011 is detailed below. The fair value at grant date is independently determined using a Monte Carlo simulation. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility.

	2012 Vesting	2013 Vesting
Fair value estimate at grant date ($)	$4.42	$4.08
Performance conditions	50% TSR 50% ROCE	50% TSR 50% ROCE
Expected life of share options (years)	1.25	2.25
Expected dividend yield (%)	3.5	3.5
Expected share price volatility (%)	20%	20%
Grant date share price ($)	$3.46	$3.46

Foster's Group Long Term Incentive Plans

Prior to demerger, eligible TWE Group executives participated in the Foster's Group Long Term Incentive Plans. TWE Group employees forfeited these options upon demerger.

Note 27. Employee benefits

	2011 $m	2010 $m
The aggregate amount of employee benefits is comprised of:		
Accrued wages, salaries and on-costs	**27.0**	2.6
Provisions (current)	**38.4**	26.7
Provisions (non-current)	**3.9**	-
Total employee benefits	**69.3**	29.3

The aggregate of employee entitlement provisions is $42.3 million (2010: $26.7 million).

The total employee benefits incurred during the year were $231.8 million (2010: $231.9 million). The variance in employee expense amounts between 2011 and 2010 reflect variances in head count, wage rates and exchange rates together with the impact associated with the TWE Group's acquisition of the EMEA operations as part of the demerger from Foster's Group.

	2011	2010
Employee numbers		
Number of full-time equivalent employees at the reporting date	**3,319**	3,120

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 28. Remuneration of auditors

	2011 $m	2010 $m
Amounts received, or due and receivable, by the auditors for:		
Auditing and reviewing the financial statements		
- auditors of TWE	**0.9**	0.5
- associated firms of TWE auditors	**0.7**	0.4
Other assurance		
- auditors of TWE	**-**	-
- associated firms of TWE auditors	**-**	-
Total audit and other assurance		
- auditors of TWE	**0.9**	0.5
- associated firms of TWE auditors	**0.7**	0.4
	1.6	0.9
Other services		
- auditors of TWE	**-**	-
- associated firms of TWE auditors	**-**	-
Total other services		
- auditors of TWE	**-**	-
- associated firms of TWE auditors	**-**	-
	-	-
Totals		
- auditors of TWE	**0.9**	0.5
- associated firms of TWE auditors	**0.7**	0.4
Total remuneration of auditors	**1.6**	0.9

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.

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 TWE 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

	2011 $m	2010 $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	**38.3**	22.8
- between 1 year and 5 years	**88.4**	60.0
- over 5 years	**64.4**	75.2
Total lease commitments	**191.1**	158.0
Capital expenditure and other commitments		
The following expenditure has been contracted		
but not provided for in the financial statements.		
Capital expenditure		
- under 1 year	**23.7**	2.0
Total capital expenditure and other commitments	**23.7**	2.0

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 30. Contingent liabilities

	2011 $m	2010 $m
Retirement benefits payable on termination in certain circumstances, under service agreements with Executive Directors and other persons who take part in the management of the TWE Group	**4.4**	5.4
Total contingent liabilities	**4.4**	5.4

Litigation

Various entities in the TWE Group are party to legal actions which have arisen in the ordinary course of business. The actions are being defended and no material losses are expected to arise.

Note 31. Notes to the cash flow statement

Reconciliation of cash

For the purpose of the cash flow statements, cash includes cash at bank, on hand, in transit 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:

	2011 $m	2010 $m
Cash at bank, on hand and in transit (note 10)	**64.8**	37.1
Reconciliation of net cash flows from operating activities to profit/(loss) after income tax		
Profit/(loss) for the year	**64.4**	(900.0)
Depreciation and amortisation	**71.9**	95.2
Contributions from associates	**0.2**	-
(Profit)/loss on disposal of non-current assets	**(1.7)**	(1.4)
Valuation decrement on grapes and vines	**24.1**	46.9
Recoverable amount write downs	**3.6**	1,007.1
Net cash provided by operating activities before change in assets and liabilities	**162.5**	247.8
Change in working capital, net of effects from acquisition/disposal of controlled entities		
- receivables	**(255.5)**	(251.2)
- inventories	**75.5**	120.2
- other assets	**8.4**	3.7
- payables	**147.5**	29.1
- net tax balances	**13.4**	(54.2)
- provisions	**(14.2)**	(46.3)
Net cash flows from operating activities	**137.6**	49.1

Refer to Borrowings (note 21) and employee equity plans (note 26) for details of non-cash financing transactions relating to Employee equity plans.

Note 32. Non-Director related party disclosures

Ownership interests in related parties

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

Parent entity

The ultimate parent entity within the TWE Group is Treasury Wine Estates Limited, which is domiciled and incorporated in Australia. Prior to demerger and subsequent listing of Treasury Wine Estates Limited on the ASX, the ultimate parent entity of Treasury Wine Estates Limited was Foster's Group Limited.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 32. Non-Director related party disclosures (continued)

Transactions with entities in the wholly-owned TWE Group

Transactions between the Company and entities in the TWE Group during the year included:

- purchases and sales of goods and services; and
- provision of accounting and administrative assistance.

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

Transactions with FGL Group

Transactions between entities within TWE, whilst a wholly-owned subsidiary of FGL (Foster's Group Limited and its controlled entities), and FGL during the year included:

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

With the exception of some interest-free loans provided by FGL and the sale of inventory by TWE's Australian entities to FGL for sale within Australia which occurred at nil margin, all other transactions were conducted according to normal commercial terms and conditions. Sales between the TWE Group and FGL of $407.2 million (2010: $417.1 million) were made during the year.

Amounts owing to and from entities in the TWE Group and entities in the Foster's Group were dealt with on demerger in the manner set out in notes 2 and 3.

Note 33. Events subsequent to reporting date

Subsequent to year end TWE Group Management announced an intention to undertake a cost reduction program. Once off costs of between $15 million to $20 million will be incurred in the 2012 financial year as this program is executed.

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 TWE Group, the results of those operations or the state of affairs of the TWE Group in subsequent financial years.

Note 34. Controlled entities

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

			Equity Holding	
Entity	**Notes**	**Country of Incorporation**	**2011 %**	**2010 %**
Aldershot Nominees Pty. Ltd.*		Australia	**100.00**	100.00
B Seppelt & Sons Limited*		Australia	**100.00**	100.00
Barossa Vineyards Limited	(a)	Australia	**-**	-
Beringer Blass Distribution S.R.L.		Italy	**100.00**	100.00
Beringer Blass Italia S.R.L.		Italy	**100.00**	100.00
Beringer Blass Wine Estates Chile Limitada		Chile	**100.00**	100.00
Beringer Blass Wine Estates Limited	(b)	UK	**100.00**	-

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Entity	Notes	Country of Incorporation	Equity Holding 2011 %	Equity Holding 2010 %
Beringer Blass Wines Pty. Ltd.*		Australia	**100.00**	100.00
Bilyara Vineyards Pty. Ltd.*		Australia	**100.00**	100.00
Brenchley Pty. Limited	(a)	Australia	**-**	-
Cellarmaster Wines (UK) Limited		UK	**100.00**	100.00
Cellarmaster Wines Holdings (UK) Limited		UK	**100.00**	100.00
Coldstream Australasia Limited*		Australia	**100.00**	100.00
Cuppa Cup Vineyards Pty. Ltd.		Australia	**100.00**	100.00
Devil's Lair Pty. Ltd.		Australia	**100.00**	100.00
Etude Wines, Inc.	(c)	USA	**-**	100.00
Ewines Pty. Ltd.	(b)	Australia	**100.00**	-
FBG Treasury (USA) Inc.	(d)	USA	**-**	100.00
FBL Holdings Limited	(b)	UK	**100.00**	-
Foster's Beverage Trading (Shanghai) Co. Ltd.	(b)(ao)	China	**100.00**	-
Foster's Finance Corp.	(d)	USA	**-**	100.00
Foster's Wine Estates Sales Company	(ap)	USA	**100.00**	100.00
Glenloth Wines Pty. Limited	(a)	Australia	**-**	-
Graymoor Estate Joint Venture		Australia	**48.80**	48.80
Graymoor Estate Pty. Ltd.		Australia	**48.80**	48.80
Graymoor Estate Unit Trust		Australia	**48.80**	48.80
Great Western Sparkling Wines Pty. Ltd.	(e)	Australia	**-**	100.00
Greg Norman Estates Joint Venture		Australia	**70.00**	70.00
Ieiro Pty. Ltd.	(e)	Australia	**-**	100.00
Il Cavaliere del Castello di Gabbiano S.r.l.		Italy	**100.00**	100.00
Interbev Pty. Ltd.*		Australia	**100.00**	100.00
Invin Wines Pty. Ltd.	(b)	Australia	**100.00**	-
Island Cooler Pty. Ltd.	(d)	Australia	**100.00**	100.00
James Herrick Wines Limited		UK	**100.00**	100.00
Kaiser Stuhl Wines Pty. Ltd.	(e)	Australia	**-**	100.00
Killawarra Vintage Wines Pty. Ltd.	(e)	Australia	**-**	100.00
Leo Buring Pty. Ltd.		Australia	**100.00**	100.00
Lindeman (Holdings) Limited*		Australia	**100.00**	100.00
Lindemans Wines Pty. Ltd.		Australia	**100.00**	100.00
Mag Wines Pty. Ltd		Australia	**100.00**	100.00
Majorca Pty. Ltd.*		Australia	**100.00**	100.00
Matua Finance Limited	(f)	New Zealand	**-**	100.00
Matua Valley Wines Limited	(g)	New Zealand	**-**	-
MBL Packaging Pty. Ltd.	(d)	Australia	**100.00**	100.00
Mildara Blass Wines Inc.	(c)	USA	**-**	100.00
Mildara Holdings Pty. Ltd.*		Australia	**100.00**	100.00
Neyog (UK) Limited	(h)	UK	**-**	-
North America Packaging (Pacific Rim) Corporation		USA	**100.00**	100.00
North Napa Land Co.	(i)	USA	**-**	100.00
North Para Environment Control Pty. Ltd.		Australia	**69.90**	69.90
Penfolds Wines Pty. Ltd.		Australia	**100.00**	100.00
Premium Land, Inc.		USA	**100.00**	100.00
RAL European Holdings Limited	(h)	Netherlands	**-**	-
Raust International Investments BV		Netherlands	**100.00**	100.00
RH Wines Pty. Ltd.		Australia	**100.00**	100.00
Robertsons Well Pty. Ltd.		Australia	**100.00**	100.00

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 34. Controlled entities (continued)

Entity	Notes	Country of Incorporation	Equity Holding 2011 %	Equity Holding 2010 %
Robertsons Well Unit Trust		Australia	**100.00**	100.00
Rosemount Estate Wines Limited	(h)	UK	**-**	-
Rosemount Estates Pty. Ltd.		Australia	**100.00**	100.00
Rosemount Ventures Australia Pty. Ltd.	(j)	Australia	**-**	-
Rosemount Vineyards Pty. Limited	(a)	Australia	**-**	-
Rothbury Wines Pty. Ltd.*		Australia	**100.00**	100.00
Roxburgh Vineyards Pty. Ltd.		Australia	**100.00**	100.00
SCA 605 Pty. Ltd.		Australia	**100.00**	100.00
SCW 905 Limited*		Australia	**100.00**	100.00
Seaview Wynn Pty. Ltd.*		Australia	**100.00**	100.00
Selion Pty. Ltd.		Australia	**100.00**	100.00
Shingle Peak Wines Limited	(g)	New Zealand	**-**	-
Southcorp Australia Pty. Ltd.*		Australia	**100.00**	100.00
Southcorp Brands Pty. Ltd.*		Australia	**100.00**	100.00
Southcorp Employee Share Plan Pty. Ltd.	(k)	Australia	**-**	100.00
Southcorp Executive Share & Option Plan Pty. Ltd.	(k)	Australia	**-**	100.00
Southcorp Finance Europe Limited	(h)	UK	**-**	-
Southcorp Finance USA, Inc.	(am)	USA	**-**	100.00
Southcorp International Investments Pty. Ltd.*		Australia	**100.00**	100.00
Southcorp Investments Pty. Ltd.	(l)	Australia	**-**	100.00
Southcorp Limited*		Australia	**100.00**	100.00
Southcorp NZ Pty. Ltd.*		Australia	**100.00**	100.00
Southcorp Whitegoods Pty. Ltd.		Australia	**100.00**	100.00
Southcorp Wine Estates, LLC	(m)	USA	**-**	100.00
Southcorp Wines Asia Pty. Ltd.		Australia	**100.00**	100.00
Southcorp Wines Europe Limited	(b)	UK	**100.00**	-
Southcorp Wines NZ Limited		New Zealand	**100.00**	100.00
Southcorp Wines Pty. Ltd.*	(aj)	Australia	**100.00**	100.00
Southcorp XUK Limited		UK	**100.00**	100.00
T'Gallant Winemakers Pty. Ltd.		Australia	**100.00**	100.00
The New Zealand Wine Club Limited		UK	**100.00**	100.00
The Rothbury Estate Pty. Ltd.*		Australia	**100.00**	100.00
Tolley Scott & Tolley Limited*		Australia	**100.00**	100.00
Treasury Americas Inc.	(an)	USA	**100.00**	100.00
Treasury Wine Brands Pty. Limited	(n)	Australia	**100.00**	100.00
Treasury Wine Estates (China) Holding Co. Pty. Ltd.*	(o)	Australia	**100.00**	-
Treasury Wine Estates (Matua) Limited	(p)	New Zealand	**100.00**	100.00
Treasury Wine Estates (NZ) Holding Co. Pty. Ltd.*		Australia	**100.00**	100.00
Treasury Wine Estates (NZ) Limited	(q)	New Zealand	**100.00**	-
Treasury Wine Estates Asia (SEA) Pte. Limited	(ak)	Singapore	**100.00**	100.00
Treasury Wine Estates (UK) Holding Co. Pty. Ltd.*	(b)	Australia	**100.00**	-
Treasury Wine Estates Americas Company	(r)	USA	**100.00**	100.00
Treasury Wine Estates Asia Pty. Ltd.	(al)	Australia	**100.00**	100.00
Treasury Wine Estates Australia Limited*	(s)	Australia	**100.00**	-
Treasury Wine Estates Barossa Vineyards Pty. Ltd.	(ae)	Australia	**100.00**	100.00
Treasury Wine Estates Canada, Inc.	(t)	Canada	**100.00**	100.00
Treasury Wine Estates Denmark ApS	(u)	Denmark	**100.00**	-
Treasury Wine Estates EMEA Limited	(v)	UK	**100.00**	-

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Entity	Notes	Country of Incorporation	Equity Holding 2011 %	Equity Holding 2010 %
Treasury Wine Estates Finland Oy	(w)	Finland	**100.00**	-
Treasury Wine Estates Group Pty Limited	(x)	Australia	**100.00**	100.00
Treasury Wine Estates Holdings Inc.	(y)	USA	**100.00**	100.00
Treasury Wine Estates Limited*	(z)	Australia	**100.00**	100.00
Treasury Wine Estates Norway AS	(aa)	Norway	**100.00**	-
Treasury Wine Estates Sweden AB	(ab)	Sweden	**100.00**	-
Treasury Wine Estates UK Brands Limited	(ac)	UK	**100.00**	-
Treasury Wine Estates Vintners Limited*	(ad)	Australia	**100.00**	100.00
TWE Finance (Aust) Limited*	(af)	Australia	**100.00**	-
TWE Finance (UK) Limited	(b)	UK	**100.00**	-
TWE Insurance Company Pte. Ltd.	(ag)	Singapore	**100.00**	-
TWE Share Plans Pty. Ltd.	(ah)	Australia	**100.00**	-
TWE US Finance Co.		USA	**100.00**	100.00
VEA Pty. Ltd.	(d)	Australia	**100.00**	100.00
Vintners Imports Pty. Ltd.	(ai)	Australia	**-**	100.00
Waikoukou Vineyards Limited	(g)	New Zealand	**-**	-
Wolf Blass Wines Pty. Ltd.*		Australia	**100.00**	100.00
Woodley Wines Pty. Ltd.		Australia	**100.00**	100.00
Wynn Winegrowers Pty. Ltd.		Australia	**100.00**	100.00
Wynns Coonawarra Estate Pty. Ltd.		Australia	**100.00**	100.00

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

Notes

(a) Liquidated on 30 June 2010.
(b) Joined group on 9 May 2011.
(c) Liquidated on 22 November 2010.
(d) Left group on 9 May 2011 as part of the demerger to become Foster's Group subsidiaries.
(e) Liquidated on 23 November 2010.
(f) Left group on 31 March 2011.
(g) Liquidated on 28 October 2009.
(h) Liquidated on 4 March 2010.
(i) Liquidated on 30 November 2010.
(j) Liquidated on 3 September 2009.
(k) Liquidated on 17 April 2011.
(l) Liquidated on 15 October 2010.
(m) Liquidated on 27 September 2010.
(n) Formerly SCP 197 Pty. Ltd.
(o) Incorporated on 23 December 2010.
(p) Formerly Foster's New Zealand (Matua) Limited.
(q) Formerly Foster's New Zealand Ltd. Joined group on 22 March 2011.
(r) Formerly Foster's Wine Estates America Co.
(s) Incorporated on 20 July 2010.
(t) Formerly Foster's Wine Estates Canada, Inc.
(u) Formerly Foster's Denmark ApS. Joined group on 9 May 2011.
(v) Formerly Foster's EMEA Ltd. Joined group on 9 May 2011.
(w) Formerly Foster's Finland OY. Joined group on 9 May 2011.
(x) Formerly SRP 687 Pty. Ltd.
(y) Formerly Foster's Wine Estates Holdings, Inc.
(z) Formerly Beringer Blass Wine Estates Ltd, and prior to that Beringer Blass Wine Estates Pty. Ltd.
(aa) Formerly Foster's Norway AS. Joined group on 9 May 2011.
(ab) Formerly Foster's Sweden AB. Joined group on 9 May 2011.
(ac) Incorporated on 25 February 2011.
(ad) Formerly Foster's Wine Estates Limited.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 34. Controlled entities (continued)

(ae) Formerly Foster's Barossa Vineyards Pty. Ltd. – name changed 18 July 2011.
(af) Incorporated on 2 February 2011.
(ag) Incorporated on 24 March 2011.
(ah) Incorporated on 22 March 2011.
(ai) Liquidated on 15 October 2010.
(aj) Formerly Penfolds Wines Pty. Ltd.
(ak) Formerly Foster's Asia (SEA) Pte. Limited.
(al) Formerly Foster's Asia Pty. Ltd. – name changed on 18 July 2011.
(am) Merged with Treasury America Inc. on 31 March 2011.
(an) Formerly Foster's Americas Inc.
(ao) Post year end this entity undertook to change its name to Treasury Wine Estates Shanghai Co. Ltd.
(ap) This entity is in the process of being dissolved.

Note 35. Deed of Cross Guarantee

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

A Consolidated Statement of Comprehensive Income, retained earnings reconciliation and a consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2011 are set out below.

	2011 $m	2010 $m
Extract of the statement of comprehensive income		
Profit before tax	**560.8**	-
Income tax expense	**(0.1)**	-
Net profit after tax	**560.7**	-
Retained earnings at beginning of the year	**(2,044.8)**	-
Transfer from reserves	**1,440.5**	-
Retained earnings at end of the year	**(43.6)**	-
Current assets		
Cash and cash equivalents	**5.3**	-
Receivables	**1,217.6**	-
Inventories	**411.5**	-
Non-current assets classified as held for sale	**7.8**	-
Derivative financial instruments	**0.7**	-
Total current assets	**1,642.9**	-
Non-current assets		
Inventories	**155.5**	-
Investments accounted for using the equity method	**3.0**	-
Other financial assets	**2,852.3**	-
Property, plant and equipment	**467.3**	-
Agricultural assets	**61.6**	-
Intangible assets	**435.7**	-
Retirement benefit assets	**0.5**	-
Deferred tax assets	**38.7**	-
Total non-current assets	**4,014.6**	-
Total assets	**5,657.5**	-

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

	2011 $m	2010 $m
Current liabilities		
Payables	**201.1**	-
Borrowings	**2,132.4**	-
Current tax liabilities	**10.5**	-
Derivative financial liabilities	**0.6**	-
Provisions	**39.0**	-
Total current liabilities	**2,383.6**	-
Non-current liabilities		
Deferred tax liabilities	**17.6**	-
Total non-current liabilities	**17.6**	-
Total liabilities	**2,401.2**	-
Net assets	**3,256.3**	-
Equity		
Contributed equity	**3,047.5**	-
Reserves	**252.4**	-
Retained earnings	**(43.6)**	-
Total equity	**3,256.3**	-

Note 36. Parent entity financial information

(a) Summary financial information

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

	2011 $'000	2010 $'000
Balance sheet		
Current assets	**5,516.5**	5,367.3
Total assets	**7,384.5**	5,367.3
Current liabilities	**4,275.8**	5,819.8
Total liabilities	**4,275.8**	5,819.8
Net assets	**3,108.7**	(452.5)
Shareholders' equity		
Issued capital	**3,047.5**	650.0
Reserves		
Share-based payments	**0.2**	-
Retained earnings	**61.0**	(1,102.5)
Total equity	**3,108.7**	(452.5)
Profit or loss for the year	**61.0**	(1,110.5)
Total comprehensive income	**61.0**	(1,110.5)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

We draw your attention to note 2 which describes the impact on the reported results of Treasury Wine Estates arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) The Directors declare that the financial statements and notes set out on pages 61 to 117 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that Treasury Wine Estates Limited will be able to pay its debts as and when they become due and payable; and

(c) there are reasonable grounds to believe that members of the Closed Group identified in note 34 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee described in note 35.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Max Ould
Chairman

David Dearie
Chief Executive Officer

22 August 2011

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 balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration for Treasury Wine Estates Limited and the Treasury Wine Estates Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Independent auditor's report to the members of Treasury Wine Estates Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Treasury Wine Estates Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 40 to 60 of the Directors' Report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Andrew Mill
Partner

Melbourne
22 August 2011

DETAILS OF SHAREHOLDERS, SHAREHOLDINGS AND TOP 20 SHAREHOLDERS

Details of shareholders and shareholdings

Holding of securities

Listed Securities 22 August 2011	Number of Holders	Number of Shares	% Held by Top 20
Fully paid ordinary shares	104,836	647,227,144	80.80%

Distribution of holdings – 22 August 2011

Size of Holding	Number
1 – 1,000	29,892,769
1,001 – 5,000	53,587,069
5,001 – 10,000	14,542,402
10,001 – 100,000	19,018,346
100,001 and over	530,186,558
Total	**647,227,144**

18,163 shareholders held less than a marketable parcel of $500 worth of shares (158 shares). In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 22 August 2011 was used to determine the number of shares in a marketable parcel.

Twenty largest shareholders – 22 August 2011

Shareholder	Number of Fully Paid Ordinary Shares	% of Fully Paid Ordinary Shares	Rank
HSBC Custody Nominees	150,123,353	23.19	1
J P Morgan Nominees Australia	145,403,985	22.47	2
National Nominees Limited	99,424,677	15.36	3
Citicorp Nominees Pty Limited	49,979,507	7.72	4
Cogent Nominees Pty Limited	21,858,995	3.38	5
UBS Nominees Pty Ltd	17,349,305	2.68	6
RBC Global Services Australia	14,259,389	2.20	7
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	8,778,005	1.36	8
AMP Life Limited	4,087,461	0.63	9
Queensland Investment Corporation	2,383,350	0.37	10
Australian Foundation Investment Company Limited	2,175,501	0.34	11
UBS Wealth Management	1,079,182	0.17	12
Milton Corporation Limited	1,023,271	0.16	13
Woodross Nominees Pty Ltd	953,563	0.15	14
Questor Financial Services Limited <Tps Rf A/C>	849,753	0.13	15
Buttonwood Nominees Pty Ltd	778,941	0.12	16
Mleq Nominees Pty Limited	660,475	0.10	17
Suncorp Custodian Services Pty	622,833	0.10	18
Catholic Church Insurances Ltd	570,000	0.09	19
Djerriwarrh Investments Limited	516,667	0.08	20
Total	**522,878,213**	**80.80**	

Substantial shareholders – 22 August 2011

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.

The Capital Group Companies, Inc	46,926,182
Commonwealth Bank of Australia	63,251,306
IOOF	49,612,827

SHAREHOLDER INFORMATION

Annual general meeting

The annual general meeting of Treasury Wine Estates Limited (Company) will be held on Tuesday 25 October 2011, at 2.30pm at the City Recital Hall, 2-12 Angel Place, Sydney, 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 (within Australia): 1800 158 360
International: +61 3 9415 4208
Facsimile: +61 3 9473 2500
(For faxing proxy forms only: +61 3 9473 2555 (outside Australia) or 1800 783 447 (within Australia))
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

Please include your securityholder reference number (SRN) or holder identification number (HIN) in all correspondence to the share registry. For enquiries relating to the operations of the Company, please contact the Treasury Wine Estates Investor Relations Department:

77 Southbank Boulevard
Southbank, Victoria 3006
Australia

Telephone: +61 3 8626 3181
Facsimile: +61 3 8626 2070
Email: investors@tweglobal.com
Website: www.tweglobal.com

Electronic communications

Treasury Wine Estates Limited 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 Treasury Wine Estates Limited 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.

Dividends

Treasury Wine Estates Limited's Constitution provides for mandating direct crediting of dividends. The Directors resolved to pay all dividends declared by electronic funds transfer to an approved account. As such shareholders will have dividends paid directly into a nominated bank account anywhere in Australia, New Zealand, the United States and the United Kingdom. It is therefore essential that those shareholders provide their payment instructions in order to receive their dividend entitlements on each payment date. Other overseas shareholders will receive their dividends by Australian dollar cheque if they do not have an Australian, New Zealand, United States or United Kingdom financial institution account.

Shareholders should note that the Dividend Reinvestment Plan (DRP) is currently not active and therefore participation in the DRP is presently not available. If the DRP is activated, the terms and conditions of the DRP will be able to be found on the website www.tweglobal.com.

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. 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 Treasury Wine Estates Limited Online Share Registry.

Change of address

It is important for shareholders to notify the share registry of any change of address. As a security measure, the old address should also be quoted as well as your securityholder reference number (SRN). Shareholders may access Treasury Wine Estates Limited Online Share Registry to submit their details or download a personalised change of address form.

Shareholder Wine Club

Shareholders have the opportunity to purchase a wide range of premium wines representing exceptional value from the TWE Shareholder Club. Going forward TWE is committed to offering its shareholders (owners) greater variety in the shareholder wine offers they receive; with the intention for TWE shareholders to not only gain access to more of the brands they know and love, but also to some outstanding wines from Italy, France and the Americas.

Information about TWE shareholder offers is sent to shareholders with the dividend statement. Shareholders can also register to receive information by contacting Computershare and updating their preferences. The TWE Shareholder Club is currently only available to Australia based shareholders.

SHAREHOLDER INFORMATION CONTINUED

Treasury Wine Estates Limited

ABN 24 004 373 862

Registered office

77 Southbank Boulevard
Southbank, Victoria 3006
Australia

Telephone: +61 3 9685 8000
Facsimile: +61 3 9685 8001

Company Secretary

Paul Conroy

Treasury Wine Estates uses **National Carbon Offset Standard** certified ENVI Recycled 50/50 Carbon Neutral paper

An Australian Government Initiative

Designed and produced by MDM Design

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WINE ESTATES