



## TREASURY WINE ESTATES

13 August 2020

**ASX ANNOUNCEMENT**

### **Appendix 4E and 2020 Annual Results**

Treasury Wine Estates Ltd (ASX:TWE) has today released its preliminary full year financial statements for the year ended 30 June 2020. Attached to this announcement are the Appendix 4E and full year financial statements.

For the purposes of ASX Listing Rule 15.5, TWE confirms that this document has been authorised for release to the market by the Board.

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# APPENDIX 4E

PRELIMINARY FINAL REPORT IN RESPECT TO TREASURY WINE ESTATES LIMITED  
FOR THE YEAR ENDED 30 JUNE 2020  
ABN 24 004 373 862

## 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	YEAR ENDED 30 JUNE 2020 \$M	YEAR ENDED 30 JUNE 2019 <sup>1</sup> \$M	% CHANGE INCREASE/ (DECREASE)	AMOUNT INCREASE/ (DECREASE) \$M
Revenue from ordinary activities	2,678.2	2,883.0	(7.1%)	(204.8)
Profit attributable to members of Treasury Wine Estates Limited	260.8	408.5	(36.2%)	(147.7)
Net profit after tax before material items, SGARA	315.8	422.8	(25.3%)	(107.0)
Earnings before interest, tax, SGARA and material items	533.5	681.0	(21.7%)	(147.5)

EARNINGS PER SHARE	YEAR ENDED 30 JUNE 2020 CENTS PER SHARE	YEAR ENDED 30 JUNE 2019 CENTS PER SHARE <sup>1</sup>
Basic earnings per share	36.2	56.9
Basic earnings per share, adjusted to exclude SGARA, material items	43.9	58.9

DIVIDENDS (DISTRIBUTIONS)	CENTS PER SHARE	FRANKING %
Final dividend – year ended 30 June 2020 (determined subsequent to balance date) <sup>2</sup>	8.0 cents	100%
Interim dividend – half year ended 31 December 2019	20.0 cents	100%
Final dividend – year ended 30 June 2019	20.0 cents	100%

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.
2. The record date for determining an entitlement to receipt of the final dividend is 3 September 2020 and the Company expects to pay the dividend on 2 October 2020. The Company's Dividend Reinvestment Plan will be in operation for the final dividend. The last date for receipt of election notices for participation in the Dividend Reinvestment Plan is 4 September 2020 at 5pm (AEST).

## 2. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD

Entity: Société Civile d'Exploitation Agricole Cambon La Pelouse  
Date of control: 27 July 2019  
Country of Incorporation: France

## 3. PRELIMINARY FINAL FINANCIAL STATEMENTS

Please refer to pages 1 through 56 of this report wherein the following are provided:

- Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020;
- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of changes in equity for the year ended 30 June 2020;
- Consolidated statement of cash flows for the year ended 30 June 2020; and
- Notes to the consolidated financial statements.

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

# APPENDIX 4E

PRELIMINARY FINAL REPORT IN RESPECT TO TREASURY WINE ESTATES LIMITED  
FOR THE YEAR ENDED 30 JUNE 2020  
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## 4. NET TANGIBLE ASSET BACKING

	YEAR ENDED 30 JUNE 2020	YEAR ENDED 30 JUNE 2019 <sup>1</sup>
<b>NET TANGIBLE ASSET BACKING PER ORDINARY SHARE</b>	<b>\$</b>	<b>\$</b>
Net tangible asset backing per ordinary share	3.18	3.24

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

## 5. ASSOCIATES AND JOINT VENTURES

	YEAR ENDED 30 JUNE 2020	YEAR ENDED 30 JUNE 2019
<b>INVESTMENTS IN ASSOCIATES AND JOINT VENTURES</b>	<b>\$M</b>	<b>\$M</b>
Investments accounted for using the equity method	2.6	2.6

Investments in associates and joint venture partnerships are accounted for in the consolidated financial statements using the equity method of accounting. The Group holds a 50 percent investment in Fiddlesticks LLC, a company incorporated in the United States of America. The percentage ownership at 30 June 2020 is consistent with the prior period.

## 6. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 5 November 2020.

## 7. FURTHER INFORMATION

Additional Appendix 4E disclosure requirements can be found in the notes to the year-end financial report and the ASX announcement lodged with this document.

Further information can be obtained from:

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 \$M	RESTATED <sup>1</sup> 2019 \$M
Revenue	3	2,678.2	2,883.0
Cost of sales		(1,588.9)	(1,642.5)
<b>Gross profit</b>		<b>1,089.3</b>	<b>1,240.5</b>
Selling expenses		(312.7)	(328.3)
Marketing expenses		(125.5)	(118.3)
Administration expenses		(144.7)	(117.9)
Other expenses		(50.8)	(14.7)
<b>Profit before tax and finance costs</b>		<b>455.6</b>	<b>661.3</b>
Finance income		54.1	47.4
Finance costs		(140.0)	(133.1)
Net finance costs		(85.9)	(85.7)
<b>Profit before tax</b>		<b>369.7</b>	<b>575.6</b>
Income tax expense	23	(108.9)	(167.1)
<b>Net profit</b>		<b>260.8</b>	<b>408.5</b>
Net profit attributable to non-controlling interests		-	-
<b>Net profit attributable to members of Treasury Wine Estates Limited</b>		<b>260.8</b>	<b>408.5</b>
<b>Other comprehensive income</b>			
<b>Items that may subsequently be reclassified to profit or loss</b>			
Cash flow hedges		(15.5)	(15.0)
Tax on cash flow hedges		3.9	4.4
Exchange gain/(loss) on translation of foreign operations		14.5	66.1
<b>Other comprehensive income for the year, net of tax</b>		<b>2.9</b>	<b>55.5</b>
<b>Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited</b>		<b>263.7</b>	<b>464.0</b>
Non-controlling interests		-	-
<b>Total comprehensive income for the year</b>		<b>263.7</b>	<b>464.0</b>
		<b>CENTS PER SHARE</b>	<b>CENTS PER SHARE<sup>1</sup></b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b>			
Basic	7	36.2	56.9
Diluted	7	36.2	56.6

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTE	2020 \$M	RESTATED <sup>1</sup> 2019 \$M
<b>Current assets</b>			
Cash and cash equivalents	9	449.1	401.8
Receivables	9	553.5	661.3
Inventories	9	1,017.4	1,001.7
Assets held for sale	14	74.3	78.3
Other current assets		6.0	3.2
<b>Total current assets</b>		<b>2,100.3</b>	<b>2,146.3</b>
<b>Non-current assets</b>			
Inventories	9	1,059.2	1,045.6
Property, plant and equipment	10	1,397.4	1,369.9
Right-of-use assets	11	517.0	535.9
Agricultural assets	12	34.1	29.4
Intangible assets	13	1,331.6	1,308.9
Deferred tax assets	23	183.5	187.0
Other non-current assets		48.8	18.5
<b>Total non-current assets</b>		<b>4,571.6</b>	<b>4,495.2</b>
<b>Total assets</b>		<b>6,671.9</b>	<b>6,641.5</b>
<b>Current liabilities</b>			
Trade and other payables	9	682.1	718.6
Current tax liabilities		22.9	95.4
Provisions	16	53.9	43.6
Borrowings	18	223.3	67.3
Other current liabilities		0.8	1.8
<b>Total current liabilities</b>		<b>983.0</b>	<b>926.7</b>
<b>Non-current liabilities</b>			
Borrowings	18	1,702.3	1,727.3
Deferred tax liabilities	23	334.2	334.7
Other non-current liabilities		29.0	11.3
<b>Total non-current liabilities</b>		<b>2,065.5</b>	<b>2,073.3</b>
<b>Total liabilities</b>		<b>3,048.5</b>	<b>3,000.0</b>
<b>Net assets</b>		<b>3,623.4</b>	<b>3,641.5</b>
<b>Equity</b>			
Contributed equity	19	3,269.8	3,243.8
Reserves	21	12.0	29.1
Retained earnings		337.5	364.5
<b>Total parent entity interest</b>		<b>3,619.3</b>	<b>3,637.4</b>
Non-controlling interests		4.1	4.1
<b>Total equity</b>		<b>3,623.4</b>	<b>3,641.5</b>

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	CONTRIBUTED EQUITY \$M	RETAINED EARNINGS \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	OTHER RESERVES \$M	TOTAL \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
<b>Balance at 30 June 2018<sup>1</sup></b>	<b>3,235.4</b>	<b>207.3</b>	<b>6.0</b>	<b>(7.2)</b>	<b>3,441.5</b>	<b>4.3</b>	<b>3,445.8</b>
Profit for the year <sup>1</sup>	–	408.5	–	–	408.5	–	408.5
Total other comprehensive income/(loss) <sup>1</sup>	–	–	66.1	(10.6)	55.5	–	55.5
<b>Total comprehensive income for the year/(loss)<sup>1</sup></b>	<b>–</b>	<b>408.5</b>	<b>66.1</b>	<b>(10.6)</b>	<b>464.0</b>	<b>–</b>	<b>464.0</b>
<b>Transactions with owners in their capacity as owners directly in equity</b>							
Share based payment expense	–	–	–	18.9	18.9	–	18.9
Vested deferred shares and share rights	1.6	–	–	(44.1)	(42.5)	–	(42.5)
Dividends to owners of the Company	6.8	(251.3)	–	–	(244.5)	(0.2)	(244.7)
<b>Balance at 30 June 2019<sup>1</sup></b>	<b>3,243.8</b>	<b>364.5</b>	<b>72.1</b>	<b>(43.0)</b>	<b>3,637.4</b>	<b>4.1</b>	<b>3,641.5</b>
Profit for the year	–	260.8	–	–	260.8	–	260.8
Total other comprehensive income/(loss)	–	–	14.5	(11.6)	2.9	–	2.9
<b>Total comprehensive income for the year/(loss)</b>	<b>–</b>	<b>260.8</b>	<b>14.5</b>	<b>(11.6)</b>	<b>263.7</b>	<b>–</b>	<b>263.7</b>
<b>Transactions with owners in their capacity as owners directly in equity</b>							
Share based payment expense	–	–	–	10.9	10.9	–	10.9
Vested deferred shares and share rights	14.5	–	–	(30.9)	(16.4)	–	(16.4)
Dividends to owners of the Company	11.5	(287.8)	–	–	(276.3)	–	(276.3)
<b>Balance at 30 June 2020</b>	<b>3,269.8</b>	<b>337.5</b>	<b>86.6</b>	<b>(74.6)</b>	<b>3,619.3</b>	<b>4.1</b>	<b>3,623.4</b>

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$M	RESTATED <sup>1</sup> 2019 \$M
NOTE	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>		
	3,616.6	3,689.2
Receipts from customers		
	(2,975.7)	(3,030.0)
Payments to suppliers, governments and employees		
	(4.0)	(7.3)
Borrowing costs paid		
	(168.0)	(112.5)
Income taxes paid		
	(80.1)	(77.5)
Interest paid		
<b>Net cash flows from operating activities</b>	8	388.8
<b>Cash flows from investing activities</b>		
	(136.6)	(132.0)
Payments for property, plant, and equipment		
	(29.9)	(27.8)
Payments for intangible assets		
	(22.3)	(0.9)
Payments for subsidiaries, net of cash acquired		
	100.2	102.5
Proceeds from sale of property, plant and equipment		
<b>Net cash flows used in investing activities</b>	(88.6)	(58.2)
<b>Cash flows from financing activities</b>		
	(276.3)	(244.7)
Dividend payments		
	329.2	707.6
Proceeds from borrowings		
	(300.4)	(538.5)
Repayment of borrowings		
	(4.9)	(16.6)
Purchase of shares – employee equity plans		
<b>Net cash flows used in financing activities</b>	(252.4)	(92.2)
<b>Total cash flows from activities</b>	47.8	311.5
	401.8	89.4
Cash and cash equivalents at the beginning of the year		
	(0.5)	0.9
Effects of exchange rate changes on foreign currency cash flows and cash balances		
<b>Cash and cash equivalents at end of the year</b>	9	449.1

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: ABOUT THIS REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 1 – ABOUT THIS REPORT

Treasury Wine Estates Limited ('the Company') is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange (ASX). The consolidated financial statements comprise the Company and its controlled entities (collectively, 'the Group').

The accounting policies that are critical to understanding the financial statements are set out in this section. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

### Basis of preparation

The consolidated financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Boards (IASB).

The financial statements are presented in Australian dollars with all values rounded to the nearest tenth of one million dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

This is the first set of the Group's annual financial statements in which AASB 16 Leases has been applied. The impact of AASB 16 and other accounting standards and interpretations adopted during the year is set out in note 32.

### Notes to the financial statements

The notes include additional information required to understand the financial statements that is material and relevant to the operations, financial position and performance of the Group.

Information is considered material and relevant if the amount in question is significant because of its size, nature or incidence or it helps to explain the impact of significant changes in the business, for example, acquisitions and asset write-downs.

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

Where applicable, comparative periods have been adjusted to disclose comparatives on the same basis as the current year.

The notes are organised into the following sections:

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

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

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

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

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

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

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

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

### Key estimates and judgements

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

These estimates, judgements and assumptions are continually evaluated, and are based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements:

Note 3:	Revenue
Note 9:	Working capital
Note 11:	Right-of-use assets
Note 12:	Agricultural assets
Note 13:	Intangible assets
Note 15:	Impairment of non-financial assets
Note 23:	Income tax



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
ABOUT THIS REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 1 – ABOUT THIS REPORT (CONTINUED)**

**Key estimates and judgements (continued)**

**COVID-19 considerations**

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of financial statements, generally, due to the impact of the following factors:

- the extent and duration of actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn. This includes the disruption to capital markets, deteriorating credit, higher unemployment, and changes in consumer discretionary spending behaviours; and
- the effectiveness of government measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

During F20, the Group experienced the following impacts on its operations and financial statements as a result of these factors:

- Governments took varying approaches to containment of the virus in each of TWE's markets. In general, retail and e-commerce channels remained open and other channels (including restaurants, bars, cellar doors and travel retail) were closed for the majority of 2H20 but re-commenced opening at different rates across individual markets.
- In-home consumption increased during periods of lockdown, primarily through retail and e-commerce channels.
- Consumers generally turned to well-known and trusted brands, which drove volumes of Commercial, Masstige and lower Luxury wines. Higher value luxury wines were negatively impacted by lower consumption – driven in part by the closure of key luxury channels, the reduction in social gathering and social occasions, and lower discretionary consumer spending on Luxury products.
- In the majority of TWE's markets, governments have put in place fiscal and economic stimulus packages of varying natures, the majority of which remain in place at 30 June 2020, and at the date of this report.
- Agricultural activities (including wine production) has generally been considered an essential service in all of the Group's key sourcing regions, with no material interruptions encountered through global operations.

In respect of these financial statements, the impact of COVID-19 is primarily relevant to estimates of future performance which is in turn relevant to the areas of impairment of non-financial assets (note 15), net realisable value of inventory (note 9), recoverability of receivables (note 9) and recoverability of income tax losses (note 23). Other areas of estimates, judgements and assumptions for the Group are not impacted by estimates of future performance.

In making estimates of future performance, the following assumptions and judgements in relation to the potential impact of COVID-19 have been applied by the Group. Actual results may differ from these estimates under different assumptions and conditions.

- Retail and e-commerce channels are assumed to remain open at the levels as at 30 June 2020, in all regions.
- All regions will continue a phased 're-opening' of previously closed channels (bars, restaurants, cellar doors, travel retail) to Pre-COVID-19 levels at a progressive rate over the course of F21. All channels are assumed to be open by the end of F21 with the exception of travel retail which will not fully re-open until F22.
- In-home consumption, and therefore retail and e-commerce channel sales, are assumed to reduce in line with re-opening of on-premise channels (bars, restaurants) but return to levels generally elevated against Pre-COVID-19 conditions.
- Luxury wine consumption assumed to progressively return to Pre-COVID-19 levels over the course of F21, but assumed to be below Pre-COVID-19 levels in key festive selling periods (Christmas, New Year, Chinese New Year).
- Government fiscal and economic stimulus packages are maintained or extended, but phased out as economies return to historical output levels.
- Agricultural activities (including wine production) continue to be considered an essential service in all of the Group's key sourcing regions.
- As noted above, the Group assumes a trend of general recovery. Whilst further virus outbreaks may occur in some regions, the Group does not assume a significant 'second wave' event which results in major lockdowns (similar to those experienced in the second half of F20) in the Group's primary sales regions.

Key assumptions and judgements have been stress tested for the impacts of COVID-19 with further downside sensitivity. As a result, more extensive changes in assumptions have been considered and disclosed in the financial statements.

Further details on the estimates, judgements and assumptions applied by the Group within these Financial statements are included within the relevant Notes, including sensitivities applied to ensure financial statements and disclosures are appropriate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
ABOUT THIS REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 1 – ABOUT THIS REPORT (CONTINUED)**

**Principles of consolidation**

The consolidated financial statements include the assets and liabilities of Treasury Wine Estates Limited and its controlled entities as a whole at year-end and the consolidated results and cash flows for the year. A list of controlled entities (subsidiaries) is provided in note 27.

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

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

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

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

**Functional and presentation currency**

The consolidated financial statements are presented in Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The major functional currencies used throughout the Group include Australian Dollar (AUD), United States Dollar (USD) and Great British Pound (GBP). Other currencies used include the Canadian Dollar, Euro, New Zealand Dollar, Singapore Dollar, Swedish Krona, Norwegian Krone, Chinese Renminbi and South African Rand.

**Foreign group companies**

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statement is translated at the average exchange rates for the period. The exchange differences arising on the translation are recognised in the foreign currency translation reserve within equity.

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

**Transactions and balances**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
ABOUT THIS REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 1 – ABOUT THIS REPORT (CONTINUED)**

Exchange differences arising are recognised in the consolidated statement of profit and loss and other comprehensive income, except for gains or losses arising on assets or liabilities that qualify for hedge accounting, discussed further in note 24. Tax charges and credits attributable to these exchange differences are also recognised in equity.

Average exchange rates used in translating profit and loss items in F20 are:

A\$1 = US\$ 0.671 (F19: US\$ 0.715)

A\$1 = GB£ 0.533 (F19: GB£ 0.553)

Year-end exchange rates used in translating financial position items in F20 are:

A\$1 = US\$ 0.687 (F19: US\$ 0.701)

A\$1 = GB£ 0.558 (F19: GB£ 0.553)

**Fair value measurement**

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

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

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

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

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

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

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

**Subsequent events**

As at 1 July 2020, Tim Ford was appointed as the Company's new CEO and Managing Director following the retirement of Michael Clarke.

Since the end of the financial year, the Directors approved a final 100% franked dividend of 8.0 cents per share. This dividend has not been recognised as a liability in the consolidated financial statements at 30 June 2020.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: EARNINGS

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 2 – SEGMENT INFORMATION

### The Group's segments

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

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

During F20 the business structure was re-organised to better reflect the way the Group was being managed. Effective from 1 July 2019, the management activities of Middle, East and Africa are reported together with Europe, collectively referred to as EMEA. Previously the aforementioned regions were reported under Asia. To facilitate comparability over reporting periods, as comparatives have been re-stated to reflect the change in management and monitoring responsibilities.

Segment results have also been restated for changes to the Group's accounting policies. Refer to note 32 for further information.

### Presentation of segment results

#### Management EBITs

The principal profit metric for internal management reporting is Management earnings before interest, tax, SGARA and material items (EBITs). Corporate charges are allocated to each segment on a proportionate basis linked to segment revenue, head count or other appropriate driver depending on the nature of the charge.

The identified reportable segments in the Group are below:

- (i) **Australia and New Zealand (ANZ)**  
This segment is responsible for the manufacture, sale and marketing of wine within Australia and New Zealand.
- (ii) **Europe, Middle, East and Africa (EMEA)**  
This segment is responsible for the manufacture, sale and marketing of wine within Europe and Middle, East & Africa.
- (iii) **Americas**  
This segment is responsible for the manufacture, sale and marketing of wine within North America and Latin America.
- (iv) **Asia**  
This segment is responsible for the sale and marketing of wine within Asia (excluding the Middle East and Africa).

### Segment accounting policies

#### Segment assets and liabilities

Segment assets and liabilities represent those working capital and non-current assets and liabilities which are located in the respective segments. Cash and borrowings, other than lease liabilities, are not considered to be segment assets/liabilities as they are managed by our centralised treasury function. Consistent with the use of EBITs for measuring profit, tax assets and liabilities, which do not contribute towards EBITs, are not allocated to operating segments.

#### Intersegment transactions

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

#### Corporate charges

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

#### Segment loans payable and loans receivable

Segment loans are initially recognised at the amount transferred. Intersegment loans receivable and payable that earn or incur non-market interest are adjusted to fair value based on market interest rates.

#### Other

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 2 – SEGMENT INFORMATION (CONTINUED)**

2020	ANZ \$M	AMERICAS \$M	ASIA \$M	EMEA \$M	INTERSEGMENT ELIMINATION \$M	TOTAL SEGMENT \$M	UNALLOCATED/ CORPORATE \$M	CONSOLIDATED \$M
<b>Total revenue comprises:</b>								
Net sales revenue	592.4	1,069.4	617.1	370.6	–	2,649.5	–	2,649.5
Other revenue	10.4	15.9	0.6	1.6	–	28.5	0.2	28.7
Intersegment revenue	287.7	50.2	0.2	27.7	(365.8)	–	–	–
<b>Total segment revenue (excl other income/interest)</b>	<b>890.5</b>	<b>1,135.5</b>	<b>617.9</b>	<b>399.9</b>	<b>(365.8)</b>	<b>2,678.0</b>	<b>0.2</b>	<b>2,678.2</b>
<b>Management EBITs</b>	<b>133.3</b>	<b>147.3</b>	<b>243.7</b>	<b>51.7</b>	<b>–</b>	<b>576.0</b>	<b>(42.5)</b>	<b>533.5</b>
SGARA gain/(loss)	(43.5)	1.8	–	0.4	–	(41.3)	–	(41.3)
Material items	(25.8)	(8.0)	–	–	–	(33.8)	(2.8)	(36.6)
<b>Management EBIT</b>	<b>64.0</b>	<b>141.1</b>	<b>243.7</b>	<b>52.1</b>	<b>–</b>	<b>500.9</b>	<b>(45.3)</b>	<b>455.6</b>
Net finance costs								(85.9)
<b>Consolidated profit before tax</b>								<b>369.7</b>
<b>Depreciation of property, plant and equipment and right-of-use assets</b>	<b>(52.6)</b>	<b>(79.8)</b>	<b>(4.5)</b>	<b>(3.0)</b>	<b>–</b>	<b>(139.9)</b>	<b>(3.8)</b>	<b>(143.7)</b>
<b>Amortisation of intangible assets</b>	<b>(0.6)</b>	<b>(3.6)</b>	<b>–</b>	<b>(1.6)</b>	<b>–</b>	<b>(5.8)</b>	<b>(14.9)</b>	<b>(20.7)</b>
Assets held for sale	–	74.3	–	–	–	74.3	–	74.3
<b>Capital expenditure (additions)</b>	<b>(90.8)</b>	<b>(32.0)</b>	<b>(1.2)</b>	<b>(1.4)</b>	<b>–</b>	<b>(125.4)</b>	<b>(24.3)</b>	<b>(149.7)</b>
<b>Segment assets (excl intersegment assets)</b>	<b>2,514.5</b>	<b>2,783.9</b>	<b>163.2</b>	<b>428.6</b>	<b>–</b>	<b>5,890.2</b>	<b>781.7</b>	<b>6,671.9</b>
<b>Segment liabilities (excl intersegment liabilities)</b>	<b>(348.4)</b>	<b>(819.0)</b>	<b>(68.3)</b>	<b>(97.7)</b>	<b>–</b>	<b>(1,333.4)</b>	<b>(1,715.1)</b>	<b>(3,048.5)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 2 – SEGMENT INFORMATION (CONTINUED)**

2019 <sup>1</sup>	ANZ \$M	AMERICAS \$M	ASIA \$M	EMEA \$M	INTERSEGMENT ELIMINATION \$M	TOTAL SEGMENT \$M	UNALLOCATED/ CORPORATE \$M	CONSOLIDATED \$M
<b>Total revenue comprises:</b>								
Net sales revenue	602.3	1,134.4	721.4	373.5	–	2,831.6	–	2,831.6
Other revenue	32.7	15.3	1.1	2.1	–	51.2	0.2	51.4
Intersegment revenue	347.5	45.8	0.3	34.7	(428.3)	–	–	–
<b>Total segment revenue (excl other income/interest)</b>	<b>982.5</b>	<b>1,195.5</b>	<b>722.8</b>	<b>410.3</b>	<b>(428.3)</b>	<b>2,882.8</b>	<b>0.2</b>	<b>2,883.0</b>
<b>Management EBITs<sup>1</sup></b>	<b>158.0</b>	<b>233.4</b>	<b>283.0</b>	<b>63.3</b>	<b>–</b>	<b>737.7</b>	<b>(56.7)</b>	<b>681.0</b>
SGARA gain/(loss)	(9.8)	(10.2)	–	0.3	–	(19.7)	–	(19.7)
Material items	–	–	–	–	–	–	–	–
<b>Management EBIT</b>	<b>148.2</b>	<b>223.2</b>	<b>283.0</b>	<b>63.6</b>	<b>–</b>	<b>718.0</b>	<b>(56.7)</b>	<b>661.3</b>
Net finance costs								(85.7)
<b>Consolidated profit before tax<sup>1</sup></b>								<b>575.6</b>
<b>Depreciation of property, plant and equipment and right-of-use assets<sup>1</sup></b>	<b>(52.1)</b>	<b>(82.8)</b>	<b>(3.6)</b>	<b>(2.5)</b>	<b>–</b>	<b>(141.0)</b>	<b>(7.1)</b>	<b>(148.1)</b>
<b>Amortisation of intangible assets</b>	<b>(0.6)</b>	<b>(2.4)</b>	<b>–</b>	<b>(0.9)</b>	<b>–</b>	<b>(3.9)</b>	<b>(9.9)</b>	<b>(13.8)</b>
<b>Assets held for sale</b>	<b>–</b>	<b>78.3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>78.3</b>	<b>–</b>	<b>78.3</b>
<b>Capital expenditure (additions)</b>	<b>(63.5)</b>	<b>(50.7)</b>	<b>(2.1)</b>	<b>(0.9)</b>	<b>–</b>	<b>(117.2)</b>	<b>(35.2)</b>	<b>(152.4)</b>
<b>Segment assets (excl intersegment assets)<sup>1</sup></b>	<b>2,505.1</b>	<b>2,841.3</b>	<b>223.0</b>	<b>370.9</b>	<b>–</b>	<b>5,940.3</b>	<b>701.2</b>	<b>6,641.5</b>
<b>Segment liabilities (excl intersegment liabilities)<sup>1</sup></b>	<b>(359.4)</b>	<b>(865.3)</b>	<b>(57.9)</b>	<b>(95.0)</b>	<b>–</b>	<b>(1,377.6)</b>	<b>(1,622.4)</b>	<b>(3,000.0)</b>

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 2 – SEGMENT INFORMATION (CONTINUED)**

**Geographical segments**

The presentation of geographical net sales revenue is based on the location of the selling entity.

	NET SALES REVENUE	
	2020 \$M	2019 \$M
Australia	1,180.4	1,295.7
United States of America	1,080.3	1,147.3
United Kingdom	286.4	298.1
Other geographical locations <sup>2</sup>	102.4	90.5
<b>Total</b>	<b>2,649.5</b>	<b>2,831.6</b>

2. Other than Australia, United States of America and the United Kingdom, sales of other countries are individually less than 10% of the Group's net sales revenue.

The presentation of non-current assets is based on the geographical location of the assets.

	NON-CURRENT ASSETS	
	2020 \$M	2019 <sup>1</sup> \$M
Australia	1,882.0	1,871.0
United States of America	2,159.8	2,148.8
United Kingdom	145.8	152.2
Other geographical locations	157.0	123.5
<b>Total geographical non-current assets</b>	<b>4,344.6</b>	<b>4,295.5</b>
Other non-current assets <sup>3</sup>	227.0	199.7
<b>Consolidated non-current assets</b>	<b>4,571.6</b>	<b>4,495.2</b>

3. Other non-current assets include financial derivative assets and deferred tax assets.

**NOTE 3 – REVENUE**

	2020 \$M	2019 \$M
Revenue		
Net sales revenue <sup>1</sup>	2,649.5	2,831.6
Other revenue	28.7	51.4
<b>Total revenue</b>	<b>2,678.2</b>	<b>2,883.0</b>

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

**Net sales revenue – types of products**

The Group generates revenue through the sale of branded wines, principally as a finished, bottled product. The Group's wine portfolio includes some of the world's leading Luxury, Masstige and Commercial wine brands such as Penfolds, Beringer, Lindeman's, Wolf Blass, 19 Crimes, Chateau St Jean, Beaulieu Vineyard, Sterling Vineyards and Stags' Leap.

The Group distributes wine to a range of customers across the world, with routes to market tailored by country. Depending on the geography, wine is sold to distributors (who tend to be exclusive and stock a whole portfolio), wholesalers (who choose which brands they would like to order from the portfolio), direct to national retail chains, independent retailers and on-premise outlets. The Group also has some sales direct to the consumer.

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
EARNINGS  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 3 – REVENUE (CONTINUED)**

**Other revenue – types of services**

The Group also provides contract bottling services to third parties.

**Sales approach**

For F20, the Group has one major customer in the Americas whose revenues represent 8.7% (F19: 9.6%) of reported net sales revenue, and one major customer in Australia whose revenue represents 7.8% (F19: 7.1%) of reported net sales revenue.

**Financing components**

The Group does not have any contracts where the period between the transfer of the promised product or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

**Accounting policies**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group's contracts with customers generally include one performance obligation. Revenue from the sale of products or services is recognised at the point in time when control over a product or service is transferred to the customer, generally on delivery. The Group recognises revenue when it transfers control over a product or service to a customer. Revenue is recorded net of sales discounts and rebates, duties and taxes. Payment terms vary by customer. The following specific criteria are also applied:

**Wine**

Revenue is recognised in a manner that depicts transfer of control of goods to customers at the amount that reflects consideration the business expects to be entitled to in exchange for those goods. Sales to national retail chains, domestic distributors, independent retailers and on-premise outlets are usually recognised when goods are delivered. Sales to international customers are recognised based on the international commercial terms the goods are shipped under, but typically when goods are despatched. This is also the case for some national retail chains that manage their own distribution networks.

**Bottling services**

Revenue is recognised when the relevant service has been completed.

**Key estimate and judgement:**

**Trade discounts and volume rebates**

Products are often sold with volume discounts and other rebates. Sales are recorded based on the consideration specified in the sales contracts or terms, net of the estimated discount or rebate at the time of sale. These discounts or rebates are considered variable consideration and are accounted for in determining the transaction price of a contract. The method used by the Group to estimate discounts and rebates is the most likely amount. Accumulated experience is used to estimate and provide for the discounts and rebates based on anticipated purchases.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 4 – OTHER EARNINGS DISCLOSURES**

	2020 \$M	2019 \$M
Net foreign exchange gains / (losses)	0.5	(1.7)
Salaries and wages expense	(404.1)	(412.4)
Share based payments expense	(10.9)	(18.9)
Insurance and other income	–	8.5
<b>Other gains and losses</b>		
Restructuring and redundancy expense <sup>1</sup>	(40.7)	(24.1)
(Write-down)/reversal of write-down of assets <sup>1</sup>	(16.0)	(8.8)
Net profit/(loss) on disposal of non-current assets	42.4	25.9
<b>Total other gains and losses</b>	<b>(14.3)</b>	<b>(7.0)</b>

1. Includes items classified as material items. Refer to note 5.

In F20 TWE received \$0.5m in government support payments in Asia and the Americas, the majority of which has been donated to local causes. TWE has not received, nor filed an application for JobKeeper support in Australia.

**Accounting policies**

**Employee benefits**

Employee benefits include wages, salaries, annual leave, bonuses, non-monetary benefits and share based payment expenses. Further details of Group policy on measuring employee benefits are set out in note 16.

**Superannuation**

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

**Property, plant and equipment income**

Revenue from the sale of property, plant and equipment is recognised when an executed contract becomes unconditional.

**Other income**

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

**Insurance income**

Revenue is recognised when recovery is virtually certain.

**NOTE 5 – MATERIAL ITEMS**

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

	2020 \$M	2019 \$M
<b>Individually material items included in profit before income tax:</b>		
Restructuring and redundancy costs	(30.6)	–
(Write-down)/reversal of write-down of assets	(6.0)	–
<b>Total material items (before tax)</b>	<b>(36.6)</b>	<b>–</b>
<b>Tax effect of material items</b>	<b>10.4</b>	<b>–</b>
<b>Total material items (after tax)</b>	<b>(26.2)</b>	<b>–</b>

In F20, material items reflect the restructure and review of commercial operations and assets in the Americas and the costs pertaining to the long-term investment in Luxury winemaking infrastructure in South Australia. In F19, there were no material items.

**Material items**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 6 – DIVIDENDS**

	2020 \$M	2019 \$M
<b>Dividends declared and paid on ordinary shares</b>		
Final dividend for F19 of 20.0 cents per share 100% franked (F18: 17.0 cents per share – 100% franked) <sup>2</sup>	143.8	122.2
Interim dividend for F20 of 20.0 cents per share 100% franked (F19: 18.0 cents per share – 100% franked) <sup>3</sup>	144.0	129.1
	<b>287.8</b>	<b>251.3</b>
<b>Dividends approved after balance date</b>		
Since the end of the financial year, the Directors approved a final dividend of 8.0 cents per share (F19: 20.0 cents) 100% franked (F19: 100% franked). This dividend has not been recognised as a liability in the consolidated financial statements at year-end.	57.7	143.8

2. The F19 final dividend includes an amount of \$3.7 million for shares issued under the Dividend Reinvestment Plan.

3. The F20 interim dividend includes an amount of \$7.8 million (F19: \$6.8 million) for shares issued under the Dividend Reinvestment Plan.

Details in relation to franking credits are included in note 23.

**NOTE 7 – EARNINGS PER SHARE**

	2020 CENTS PER SHARE	2019 <sup>1</sup> CENTS PER SHARE
<b>Basic EPS</b>		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	36.2	56.9
<b>Diluted EPS</b>		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	36.2	56.6
	NUMBER	NUMBER
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	719,893	718,419
<b>Effect of potentially dilutive securities</b>		
Deferred shares (in thousands)	1,460	3,516
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	721,353	721,935
<b>Earnings reconciliation</b>		
<b>Basic and diluted EPS</b>		
	\$M	\$M
Net profit	260.8	408.5
Net profit attributable to non-controlling interests	–	–
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	260.8	408.5

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 7 – EARNINGS PER SHARE (CONTINUED)**

**Calculation of earnings per share**

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

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

Diluted EPS is determined by dividing the profit attributable to ordinary shareholders after tax by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive potential ordinary shares in the employee Long-Term Incentive Plan and Restricted Equity Plan (see note 22).

**NOTE 8 – NET CASH FLOWS FROM OPERATING ACTIVITIES**

	2020 \$M	2019 <sup>1</sup> \$M
<b>Reconciliation of net cash flows from operating activities to profit after income tax</b>		
Profit for the year	260.8	408.5
Depreciation and amortisation	164.4	161.9
SGARA loss	41.3	19.7
Write-down/(reversal of write-down) of assets	16.0	8.8
Net profit on disposal of non-current assets	(42.4)	(25.9)
Share based payments expense	10.9	18.9
Other	(2.9)	(3.6)
Net cash provided by operating activities before change in assets and liabilities	448.1	588.3
Change in working capital and tax balances, net of effects from acquisition/disposal of controlled entities		
Receivables	69.7	(70.3)
Inventories	(38.0)	(115.8)
Derivative financial assets/liabilities	(0.4)	(2.3)
Payables	(42.6)	5.6
Net tax balances	(59.1)	54.6
Provisions	11.1	1.8
<b>Net cash flows from operating activities</b>	<b>388.8</b>	<b>461.9</b>

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: WORKING CAPITAL

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 9 – WORKING CAPITAL

	2020 \$M	2019 <sup>1</sup> \$M
<b>Current</b>		
Cash and cash equivalents	449.1	401.8
Receivables (a)	553.5	661.3
Inventories (b)	1,017.4	1,001.7
Trade and other payables	(682.1)	(718.6)
<b>Total current</b>	<b>1,337.9</b>	<b>1,346.2</b>
<b>Non-current</b>		
Inventories (b)	1,059.2	1,045.6
<b>Total non-current</b>	<b>1,059.2</b>	<b>1,045.6</b>

### (a) Receivables

	2020 \$M	2019 \$M
<b>Current</b>		
Trade receivables	478.2	545.8
Allowance for expected credit loss	(9.6)	(2.6)
Other receivables	45.2	91.4
Prepayments	39.7	26.7
<b>Total current receivables</b>	<b>553.5</b>	<b>661.3</b>

### (b) Inventories

	2020 \$M	2019 \$M
<b>Current</b>		
Raw materials and stores	66.6	60.7
Work in progress	459.3	415.8
Finished goods	491.5	525.2
<b>Total current inventories</b>	<b>1,017.4</b>	<b>1,001.7</b>
<b>Non-current</b>		
Work in progress	744.1	830.0
Finished goods	315.1	215.6
<b>Total non-current inventories</b>	<b>1,059.2</b>	<b>1,045.6</b>
<b>Total inventories</b>	<b>2,076.6</b>	<b>2,047.3</b>

Inventories of wine stocks are classified between current and non-current based on sales projections for the ensuing year. Inventories recognised as an expense during the year and included in cost of sales amounted to \$1,511.7 million (F19: \$1,571.8 million). In F20, the write-down of inventories to net realisable value amounted to \$21.0 million (F19: \$15.4 million). The reversal of write-downs amounted to \$1.2 million (F19: \$12.2 million). These amounts are included in cost of sales.

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
WORKING CAPITAL  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 9 – WORKING CAPITAL (CONTINUED)**

**Accounting policies**

**Cash and cash equivalents**

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

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

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

**Receivables**

Trade receivables are initially recognised at invoice value (fair value) and subsequently measured at amortised cost, less an allowance for expected credit losses.

Credit terms are generally between 30 – 120 days depending on the nature of the transaction. Expected credit losses are calculated by utilising a provision matrix where loss rates are calculated based on days past due for groupings of various customer segments that have similar loss patterns (for example geography, product type and rating).

The provision matrix is initially determined by the Group's historical observed loss rates and calibrated for forward looking information. Loss rates will be updated at each reporting date based on changes in observed default rates and changes in forward looking information.

**Inventories**

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

The cost of raw materials is their purchase price or, in the case of grapes sourced from Group owned vineyards, fair value (see note 12 for further details). The cost of manufactured goods is determined on a consistent basis and is made up of the raw materials and direct labour used in manufacture. It also includes other direct costs and related production overheads based on normal operating capacity.

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

**Trade and other payables**

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

**Key estimates and judgements:**

**Trade discounts and volume rebates**

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

**Net realisable value of inventory**

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

Forecast demand and market prices can vary significantly over the holding period up to the likely date of sale.

Estimating the most likely conditions at the expected point of sale is therefore more challenging over the longer term.

Non-current inventory is \$1,059.2 million (F19: \$1,045.6 million) and its estimated selling price is therefore a key estimate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	LAND		FREEHOLD BUILDINGS		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 <sup>1</sup> \$M	2020 \$M	2019 \$M	2020 \$M	2019 <sup>1</sup> \$M
Cost	381.6	383.5	509.9	496.4	44.4	43.3	1,803.9	1,828.1	2,739.8	2,751.3
Projects in Progress	-	-	-	-	-	-	128.2	82.1	128.2	82.1
Accumulated depreciation and impairment	(41.7)	(41.6)	(256.6)	(246.0)	(23.7)	(21.0)	(1,148.6)	(1,154.9)	(1,470.6)	(1,463.5)
<b>Carrying amount at end of year</b>	<b>339.9</b>	<b>341.9</b>	<b>253.3</b>	<b>250.4</b>	<b>20.7</b>	<b>22.3</b>	<b>783.5</b>	<b>755.3</b>	<b>1,397.4</b>	<b>1,369.9</b>

### Reconciliations

Carrying amount at start of year	341.9	355.3	250.4	242.4	22.3	17.2	755.3	771.4	1,369.9	1,386.3
Additions	3.3	14.2	7.0	16.2	0.7	8.4	108.8	81.6	119.8	120.4
Business acquisition	9.7	-	3.1	-	-	-	4.0	-	16.8	-
(Transfer to)/from Assets held for sale	(15.9)	(14.0)	(0.2)	(5.4)	-	(0.3)	(3.0)	(17.5)	(19.1)	(37.2)
(Transfer to)/from other asset classes	6.4	-	-	-	-	-	(6.4)	-	-	-
Disposals	(9.0)	(23.5)	(0.3)	(0.8)	-	-	(6.2)	(27.5)	(15.5)	(51.8)
(Write-downs)/write-downs reversal	(0.1)	-	(1.4)	-	-	-	(4.5)	0.3	(6.0)	0.3
Depreciation expense	-	-	(8.7)	(8.7)	(2.6)	(3.8)	(70.4)	(73.9)	(81.7)	(86.4)
Foreign currency translation	3.6	9.9	3.4	6.7	0.3	0.8	5.9	20.9	13.2	38.3
<b>Carrying amount at end of year</b>	<b>339.9</b>	<b>341.9</b>	<b>253.3</b>	<b>250.4</b>	<b>20.7</b>	<b>22.3</b>	<b>783.5</b>	<b>755.3</b>	<b>1,397.4</b>	<b>1,369.9</b>

Included within plant and equipment are 'Projects in Progress' of \$128.2 million (F19: \$82.1 million), which are assets under construction and therefore not yet depreciated. The cost of construction includes the cost of materials used in construction, direct labour on the project, and an allocation of overheads. The Group recognised \$6.0 million write-downs (F19: \$0.3 million write-down reversal) for property, plant and equipment during the year.

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Accounting policies**

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

Plant and equipment is depreciated so that the assets are written down to their residual value over their useful lives, using a reducing balance or straight-line method depending on the nature of the asset. Assets that relate to leases are written-off over the period of the lease or useful life, whichever is the shorter. Residual values, useful lives and amortisation methods are reviewed annually and adjusted when required.

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

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

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

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

**Derecognition and disposal**

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

**Vineyard resources**

	2020 HECTARES	2019 HECTARES
Australia	8,676	8,651
United States	3,213	3,728
New Zealand	498	498
Italy	193	148
	<b>12,580</b>	<b>13,025</b>

The area under vine shown above:

- Includes 3,263 hectares (F19: 3,317 hectares) under direct leasing arrangements and 10 hectares (F19: 7 hectares) of olive groves in Tuscany, a region of Italy.
- Yielded 76,881 tonnes of grapes (F19: 94,292 tonnes).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
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**NOTE 11 – RIGHT-OF-USE ASSETS**

The Group has adopted AASB 16 *Leases* retrospectively from 1 July 2019 and has restated comparatives for the 2019 reporting period. For adjustments recognised on adoption of AASB 16 *Leases*, refer to note 32.

The Group has leases for vineyards, buildings, equipment and motor vehicles. The Group's lease arrangements have durations up to 25 years but may have extension options as described in (d) below.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment and oak barrels. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(a) Right-of-use assets**

	LAND		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Cost	498.2	482.3	249.0	236.1	45.1	41.3	792.3	759.7
Accumulated depreciation and impairment	(173.9)	(146.2)	(75.8)	(57.1)	(25.6)	(20.5)	(275.3)	(223.8)
<b>Carrying amount at end of year</b>	<b>324.3</b>	<b>336.1</b>	<b>173.2</b>	<b>179.0</b>	<b>19.5</b>	<b>20.8</b>	<b>517.0</b>	<b>535.9</b>
<b>Reconciliations</b>								
Carrying amount at start of year	336.1	315.0	179.0	121.1	20.8	19.9	535.9	456.0
Additions	11.2	31.4	29.4	76.7	8.6	9.7	49.2	117.8
Disposals	–	–	(7.6)	–	–	–	(7.6)	–
Depreciation and impairment expense	(28.6)	(23.0)	(30.9)	(23.9)	(10.1)	(9.2)	(69.6)	(56.1)
Foreign currency translation	5.5	12.7	3.4	5.1	0.2	0.4	9.1	18.2
<b>Carrying amount at end of year</b>	<b>324.2</b>	<b>336.1</b>	<b>173.3</b>	<b>179.0</b>	<b>19.5</b>	<b>20.8</b>	<b>517.0</b>	<b>535.9</b>

**(b) Amounts recognised in the statement of profit or loss and other comprehensive income**

	2020 \$M	2019 \$M
Expenses relating to variable lease payments not included in lease liabilities	135.0	188.3
Interest expense on lease liabilities	39.7	37.5
Expenses relating to low-value leases, excluding short-term leases of low-value items	31.0	18.9
Expenses relating to short-term leases	0.2	0.1

**(c) Amounts recognised in statement of cash flows**

	2020 \$M	2019 \$M
Total cash out flow for lease liabilities	95.1	85.1

**(d) Extension options**

Some property and vineyard leases contain extension options exercisable by the Group up to the end of the non-cancellable contract period. These options are used to provide operational flexibility across the Group. The extension options held are exercisable only by the Group and not the lessors. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase lease liability of \$811.0 million (F19: \$796.9 million).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
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**NOTE 11 – RIGHT-OF-USE ASSETS (CONTINUED)**

**(e) Variable lease payments**

Certain contractual arrangements may contain both lease and non-lease components. Non-lease components are distinct elements of a contract that are not related to securing the use of the leased asset, such as inventory, common area maintenance, and other management costs. The Group has elected to measure the amount disclosed in relation to variable leases for these arrangements by combining the lease and non-lease components.

Certain leases include variable lease payments, including payments that depend on an index or rate, as well as variable payments for items such as grapes, labour, property taxes, insurance, maintenance, and other operating expenses associated with leased assets. Certain grape purchasing arrangements include variable payments based on actual tonnage and price of grapes that will vary depending on certain factors, including weather, time of harvest, overall market conditions, and the agricultural practices and location of the vineyard. Such variable lease payments are excluded from the calculation of the right-of-use asset and are recognised in the period in which the obligation is incurred.

**Accounting policies**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16 *Leases*.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets as 'right-of-use assets' and lease liabilities in 'borrowings' in the consolidated statement of financial position.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment and oak barrels. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
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**NOTE 11 – RIGHT-OF-USE ASSETS (CONTINUED)**

**Key estimate and judgement:**

**Right-of-use assets**

The Group has a applied judgement in determining the interest rates used in the discount rate and in determining the term of a lease, which is based on the likelihood of the Group's ability to renew the lease and having regard for terms equivalent to those that currently exit.

**NOTE 12 – AGRICULTURAL ASSETS**

	2020 \$M	2019 \$M
Agricultural assets	34.1	29.4
<b>Total agricultural assets</b>	<b>34.1</b>	<b>29.4</b>
<b>Reconciliations</b>		
Carrying amount at start of year	29.4	41.3
Fair value increase	34.1	29.4
Transfers to inventory	(29.9)	(41.9)
Foreign currency translation	0.5	0.6
<b>Carrying amount at end of year</b>	<b>34.1</b>	<b>29.4</b>

**Grape growing and sourcing**

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

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

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

**Accounting policies**

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

The fair value adjustment during the year is recognised within 'Other expenses' in the consolidated statement of profit or loss and other comprehensive income.

Harvested grapes are transferred to inventory initially at fair value and are then subsequently accounted for in the cost of inventory (see note 9).

**Fair value determination**

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

*Grapes prior to harvest*

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

*Harvested grapes*

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

**Key estimate and judgement:**

**Fair value of grapes**

Key to estimating the value of grapes is the following:

- Yield estimates were higher/(lower);
- The estimated harvest costs were lower/(higher);
- Market prices for grapes were higher/(lower); or
- The quality of grapes, including the impacts on harvested grapes of weather, agricultural practices and location of the vineyard were higher/(lower).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
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**NOTE 13 – INTANGIBLE ASSETS**

	BRAND NAMES AND LICENCES		DEVELOPMENT COSTS		GOODWILL <sup>1</sup>		TOTAL	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
Cost	1,462.1	1,446.3	119.3	94.2	903.8	899.8	2,485.2	2,440.3
Projects in progress at cost	-	-	49.4	44.3	-	-	49.4	44.3
Accumulated amortisation and impairment	(509.7)	(499.2)	(72.8)	(55.8)	(620.5)	(620.7)	(1,203.0)	(1,175.7)
<b>Carrying amount at end of year</b>	<b>952.4</b>	<b>947.1</b>	<b>95.9</b>	<b>82.7</b>	<b>283.3</b>	<b>279.1</b>	<b>1,331.6</b>	<b>1,308.9</b>

**Reconciliations**

Carrying amount at start of year	947.1	937.8	82.7	62.0	279.1	274.2	1,308.9	1,274.0
Additions	-	-	29.9	32.0	-	-	29.9	32.0
Business acquisitions	-	-	-	-	3.8	-	3.8	-
(Transfers to)/from assets held for sale	-	(11.7)	-	-	-	-	-	(11.7)
Amortisation expense	(3.5)	(1.8)	(17.2)	(12.0)	-	-	(20.7)	(13.8)
Foreign currency translation	8.8	22.8	0.5	0.7	0.4	4.9	9.7	28.4
<b>Carrying amount at end of year</b>	<b>952.4</b>	<b>947.1</b>	<b>95.9</b>	<b>82.7</b>	<b>283.3</b>	<b>279.1</b>	<b>1,331.6</b>	<b>1,308.9</b>

Goodwill is allocated to the Cash Generating Units (CGUs) or group of CGUs (see note 15 for further details) that are expected to benefit from the synergies of the combination. The allocation of intangible assets (other than IT development costs) is as follows:

	ANZ		AMERICAS		EUROPE		TOTAL	
	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M	2020 \$M	2019 \$M
<b>Goodwill<sup>1</sup></b>								
Carrying amount at start of year	181.5	180.0	76.9	73.7	20.7	20.5	279.1	274.2
Business acquisitions	-	-	-	-	3.8	-	3.8	-
Foreign currency translation	(0.9)	1.5	1.2	3.2	0.1	0.2	0.4	4.9
<b>Carrying amount at end of year</b>	<b>180.6</b>	<b>181.5</b>	<b>78.1</b>	<b>76.9</b>	<b>24.6</b>	<b>20.7</b>	<b>283.3</b>	<b>279.1</b>
<b>Brand names and licences</b>								
Carrying amount at start of year	480.8	481.4	462.9	453.2	3.4	3.2	947.1	937.8
Additions	-	-	-	-	-	-	-	-
Amortisation expense	(1.5)	(0.8)	(2.0)	(1.0)	-	-	(3.5)	(1.8)
(Transfers to)/from assets held for sale	-	-	-	(11.7)	-	-	-	(11.7)
Foreign currency translation	(0.1)	0.2	8.9	22.4	-	0.2	8.8	22.8
<b>Carrying amount at end of year</b>	<b>479.2</b>	<b>480.8</b>	<b>469.8</b>	<b>462.9</b>	<b>3.4</b>	<b>3.4</b>	<b>952.4</b>	<b>947.1</b>

**Key estimate and judgement:**

**Useful life of brand names**

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

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
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**NOTE 13 – INTANGIBLE ASSETS (CONTINUED)**

**Accounting policies**

**Brand names and licences**

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

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

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

**Goodwill**

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment at least annually (see note 15).

**IT development and software**

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

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

**NOTE 14 – ASSETS AND DISPOSAL GROUPS HELD FOR SALE**

	2020 \$M	2019 \$M
Assets and disposal groups held for sale	74.3	78.3
<b>Total assets and disposal groups classified as held for sale</b>	<b>74.3</b>	<b>78.3</b>

Assets held for sale comprise property, plant and equipment and related deferred tax assets and liabilities identified by the Group to be recovered through sale.

Management are committed to a plan to sell a vineyard and a wine making facility, including its related property, plant and equipment, inventory and intangible assets within America. Accordingly, that vineyard and facility has been presented as a disposal group held for sale.

**Impairment losses relating to the disposal group**

Impairment losses of Nil million (F19: \$6.3 million) for the write down of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'other expenses' in the consolidated statement of profit or loss and other comprehensive income. Refer to note 4 for other earnings disclosures.

**Accounting policies**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
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**NOTE 15 – IMPAIRMENT OF NON-FINANCIAL ASSETS**

In F20 the recoverable amounts of cash generating units (CGUs) exceed their carrying values and as a result no impairment has been recognised (F19: Nil). There were no indications that previously recognised impairment losses should be reversed (F19: Nil). The recoverable amount was determined through a value in use calculation.

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

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

**Accounting policies**

**Timing of Impairment Testing**

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

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

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

**Approach to Impairment Testing**

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

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

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

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

**Reversals of Impairment**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
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**NOTE 15 – IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)**

**Key estimate and judgement:**

**Impairment testing key assumptions**

The Group has estimated recoverable amount based on value in use at 30 June 2020. Key estimates and judgements include:

**Cash flow forecasts**

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

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

These estimates, judgements and assumptions are based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the circumstances.

**Long-term growth rates**

Cash flow forecasts beyond a five-year period are extrapolated using a growth rate range of 2.0% to 3.0% (F19: 2.0% to 3.0%). Growth rates are specific to individual CGUs and reflect expected future market and economic conditions.

**Discount rates**

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

	<b>2020</b>	<b>2019</b>
Americas	<b>9.4%</b>	10.0%
Europe	<b>9.5%</b>	9.6%
ANZ	<b>11.0%</b>	11.8%

**Exchange rates**

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

**Sensitivity analysis**

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

For the Americas CGU, a reduction in cash flow forecasts of more than 20% for all years in the forecast period and also in the terminal year would reduce the CGU's headroom to nil. There are no reasonably possible changes in the discount rate that would result in an impairment.

For the Group's remaining CGUs, based on current economic conditions and CGU performances, there are no reasonably possible changes to key assumptions used in the determination of CGU recoverable amounts that would result in an impairment to the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 16 – PROVISIONS**

	2020 \$M	2019 <sup>1</sup> \$M		
<b>Current</b>				
Employee entitlements	42.7	36.1		
Other	11.2	7.5		
<b>Total current provisions</b>	<b>53.9</b>	<b>43.6</b>		
<b>Other provisions</b>				
	<b>ONEROUS CONTRACTS \$M</b>	<b>RESTRUCTURING \$M</b>	<b>OTHER \$M</b>	<b>TOTAL \$M</b>
<b>2020</b>				
Carrying amount at start of year	1.4	5.3	0.8	7.5
Charged/(credited) to profit or loss	3.6	14.7	(0.2)	18.1
Payments	(1.5)	(12.9)	–	(14.4)
Foreign currency translation	0.1	(0.1)	–	–
<b>Carrying amount at end of year</b>	<b>3.6</b>	<b>7.0</b>	<b>0.6</b>	<b>11.2</b>

Onerous contract provisions are held for IT infrastructure and service contracts that have been identified as being surplus to the Group's needs. The restructuring provision comprises costs in relation to the Group's rationalisation and restructure program.

**Accounting policies**

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

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

**Employee entitlements**

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

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

**Restructuring**

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

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

**Onerous contracts**

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 17 – CAPITAL MANAGEMENT

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

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

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

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

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

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

## NOTE 18 – BORROWINGS

	2020 \$M	2019 <sup>1</sup> \$M
Total borrowings consist of:		
Current	223.3	67.3
Non-current	1,702.3	1,727.3
<b>Total borrowings</b>	<b>1,925.6</b>	<b>1,794.6</b>

### Details of major arrangements

#### US Private Placement Notes and Debt Facilities

US Private Placement (USPP) notes totalling US\$400.0 million (unsecured) are outstanding, with maturities ranging from December 2020 to June 2029. The carrying value of USPP notes at 30 June 2020 is \$581.9 million (F19: \$571.0 million).

During F20 the Group established a US\$200.0 million syndicated debt facility maturing in October 2021. Syndicated debt facilities now total US\$550.0 million, with US\$200.0 million maturing in October 2021, US\$120.0 million maturing November 2023 and US\$230.0 million maturing in November 2026. At 30 June 2020 syndicated debt facilities of US\$350.0 million are drawn against the November 2023 and 2026 maturities. The carrying value of the syndicated debt facility at 30 June 2020 is \$509.2 million (F19: \$499.6 million).

The Group has in place several revolving bank debt facilities with maturities staggered through to December 2024. As at 30 June 2020 there are \$100.0 million drawn under the bank debt facilities (F19: nil).

USPP notes bear interest at fixed and floating interest rates. In accordance with the Group's risk management strategy, the Group has entered into a combination of fixed to floating and floating to fixed interest rate swaps to obtain the desired fixed/floating interest ratio, with interest rate collars also used to manage interest rate risk. Refer to note 24 for further details.

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
CAPITAL STRUCTURE  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 18 – BORROWINGS (CONTINUED)**

**Financial guarantees**

The Group has issued financial guarantees to other persons of \$23.4 million (F19: \$23.0 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. No payments are expected to eventuate under these financial guarantees as the Group expects to meet its respective obligations to the beneficiaries of these guarantees.

**Lease liabilities**

The Group enters into Lease arrangements that meet the capitalisation requirements under AASB 16 *Leases*. Current and non-current lease liabilities are recognised for the present value of the lease payments due under the lease contracts and are represented as borrowings.

At 30 June 2020, the Group recognised current lease liabilities of \$56.1 million (30 June 2019: \$55.2 million) and non-current lease liabilities of \$642.5 million (30 June 2019: \$649.4 million). The Group's lease arrangements have durations up to 25 years.

**Receivables purchasing agreement**

The Group has entered into an uncommitted non-recourse receivable purchasing agreement to sell certain domestic and international receivables, from time to time, to an unrelated entity in exchange for cash. As at 30 June 2020, receivables totalling \$26.8 million had been derecognised under this arrangement (F19: \$26.2 million).

**Accounting policies**

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

After initial recognition, borrowings are measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by considering any issue costs, and any discount or premium on issuance.

Gains and losses are recognised in the statement of profit or loss and other comprehensive income if borrowings are derecognised.

<b>ALL BALANCES TRANSLATED TO AUD</b>	<b>2019<sup>1</sup></b>	<b>TOTAL CASH FLOWS FROM ACTIVITIES</b>	<b>ADDITIONS TO NET DEBT</b>	<b>DEBT REVALUATION AND FX MOVEMENTS</b>	<b>2020</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Net debt</b>					
Cash and cash equivalents	401.8	47.8	–	(0.5)	449.1
Loan receivable	0.7	(0.1)	–	–	0.6
Bank loans <sup>2</sup>	(492.7)	(101.2)	(4.9)	(3.8)	(602.6)
US Private Placement Notes (net of fair value hedge)	(571.0)	–	–	(10.9)	(581.9)
Lease liabilities	(704.6)	59.1	(41.3)	(11.8)	(698.6)
Other loan payable	(14.2)	13.4	–	–	(0.8)
<b>Net debt</b>	<b>(1,380.0)</b>	<b>19.0</b>	<b>(46.2)</b>	<b>(27.0)</b>	<b>(1,434.2)</b>

2. Loans are stated net of capitalised facility finance costs. At reporting date, the balance of bank loans is \$609.2 million (F19: \$499.6 million) against capitalised facility finance costs of \$6.6 million (F19: \$6.9 million) to be amortised over the facility period.

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 19 – CONTRIBUTED EQUITY**

	2020 \$M	2019 \$M
<b>Issued and paid-up capital</b>		
720,800,351 (F19: 719,100,485) ordinary shares, fully paid	3,269.8	3,247.3
Own shares held	–	(3.5)
	<b>3,269.8</b>	<b>3,243.8</b>
<b>Contributed equity at the beginning of the period</b>	<b>3,243.8</b>	<b>3,235.4</b>
Shares movements:		
1,055,717 shares issued under the Dividend reinvestment plan (F19: 436,939)	11.5	6.8
644,149 shares issued for vested Long Term Incentive Plans (F19: Nil)	11.0	–
Net movement in own shares held	3.5	1.6
<b>Contributed equity at the end of the period</b>	<b>3,269.8</b>	<b>3,243.8</b>

The shares have no par value.

**Ordinary shares**

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

**Purchase of shares for LTIP plans**

The Group engages a third party to purchase shares in the Company to be used to satisfy share-based payment obligations upon vesting under the Group's Employee Equity Plans. Historically, such commitments were satisfied by way of treasury share purchases (i.e. the Group acquiring shares on market directly). There are no treasury shares held at 30 June 2020.

During the period, the Group purchased 0.3 million shares (\$4.9 million) under the third-party arrangement (F19: 0.9 million shares (\$16.6 million)). A total of 0.2 million shares (F19: 0.9 million) purchased under the third-party arrangement are available at 30 June 2020. Nil treasury shares (F19: 0.3 million) are available at 30 June 2020.

**NOTE 20 – COMMITMENTS**

Details of the Group's lease commitments are captured in Lease Liabilities disclosure within Borrowings (note 18) and the impact of short-term and low value leases is captured in note 11.

	2020 \$M	2019 \$M
<b>Capital expenditure and other commitments</b>		
The following expenditure has been contracted but not provided for in the financial statements:		
Capital expenditure	45.5	49.2

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
CAPITAL STRUCTURE  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 21 – RESERVES**

	2020 \$M	2019 \$M
Cash flow hedge reserve	(20.0)	(8.4)
Share based payments reserve	(54.6)	(34.6)
Foreign currency translation reserve	86.6	72.1
<b>Total reserves</b>	<b>12.0</b>	<b>29.1</b>

**Cash flow hedge reserve**

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

**Share based payment reserve**

This reserve records amounts offered to employees under Long-term Incentive Plan (LTIP), Restricted Equity Plan (REP), deferred Short-term Incentive Plan (STIP) and Share Cellar plan.

**Foreign currency translation reserve**

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

**NOTE 22 – EMPLOYEE EQUITY PLANS**

	STIP (RESTRICTED SHARES)	MTIP (PERFORMANCE RIGHTS)	LTIP (PERFORMANCE RIGHTS)	REP (RESTRICTED SHARES/ DEFERRED SHARE RIGHTS)	SHARE CELLAR (BROAD-BASED EMPLOYEE SHARE PLAN)
Outstanding at the beginning of the year	197,319	211,460	1,938,097	226,295	101,664
Granted during the year	131,720	289,264	763,823	32,777	198,259
Exercised during the year	(136,452)	(52,926)	–	(64,605)	(74,166)
Forfeited during the year	–	(138,446)	(1,580,696)	(67,971)	(17,188)
<b>Outstanding at the end of the year</b>	<b>192,587</b>	<b>309,352</b>	<b>1,121,224</b>	<b>126,496</b>	<b>208,569</b>
<i>Exercisable at the end of the year</i>	–	–	–	–	–

**The Group operates equity plans as outlined below:**

**STIP Restricted Equity**

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

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

**LTIP**

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

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

For the F18 award, Performance Rights are subject to dual performance measures with equal weighting of TSR and ROCE over a performance period of three years. The F19 and F20 awards were issued over the same performance period but with a weighting of 25% for TSR and 75% for ROCE. The TSR and ROCE measures for the F18 plan were not met in F20 resulting in Nil vesting.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
CAPITAL STRUCTURE  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 22 – EMPLOYEE EQUITY PLANS (CONTINUED)**

**Mid-term Incentive Plan (MTIP)**

The Group awarded an MTIP grant in F19 and F20. Under the MTIP certain employees receive Performance Rights which entitle the participant to receive shares at no cost subject to the achievement of performance conditions and continuing employment. The F19 and F20 plans have two equal vesting conditions: time-based (50%) and ROCE growth (50%). For the time-based conditions half vest in 1-year (25%) and half in 2-years (25%). The ROCE measure for the F19 MTIP Plan was not met in F20 resulting in Nil vesting.

**Restricted Equity Plan (REP)**

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

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

**Share Cellar (broad-based Employee Share Plan)**

Share Cellar is the Group's broad-based Employee Share Plan and plan participation is offered annually. The plan was first launched early in 2015. Participation is voluntary and employees in select countries are eligible to join the Plan. Share Cellar operates as a matching plan whereby employees contribute funds to the Plan from their after-tax pay and shares are acquired by the Group on their behalf. In the plans operating from 2015 to 2018, for every two purchased shares that a participant holds at the vesting date (approximately two years) the Group delivers one matched share, subject to continued employment. For employees enrolling in the 2019 and 2020 plan, the Group will deliver one matched share for every purchased share held at the plan vesting date, subject to continued employment.

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

**Accounting policies**

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 22 – EMPLOYEE EQUITY PLANS (CONTINUED)**

**Active share-based payment plans:**

**Long-term Incentive Plans**

The below table outlines the F20 and F19 LTIP plans which have a vesting date post 30 June 2020:

<b>GRANT DATE</b>	<b>F20 PLAN 11-NOV-19</b>	<b>F19 PLAN 12-NOV-18</b>
Grant date share price	\$18.14	\$15.56
Expected share price volatility (%)	29.0	28.0
Expected dividend yield (%)	2.4	1.9
Risk-free interest rate (%)	0.87	2.1
Fair value estimate at grant date – TSR	\$11.77	\$7.24
Fair value estimate at grant date – ROCE	\$17.03	\$14.80

**Mid-term Incentive Plans**

The below table outlines the F20 and F19 MTIP plans which have a vesting date post 30 June 2020:

<b>GRANT DATE</b>	<b>F20 PLAN 11-NOV-19</b>	<b>F19 PLAN 12-NOV-18</b>
Grant date share price	\$18.14	\$15.56
Expected dividend yield (%)	2.4	1.9
Fair value estimate at grant date – ROCE	\$17.44	\$15.09
Fair value estimate time-based – Vesting F20: 2020 (F19: 2019)	\$17.79	\$15.32
Fair value estimate time-based – Vesting F20: 2021 (F19: 2020)	\$17.37	\$15.04

**Restricted Equity Plans**

<b>GRANT DATE</b>	<b>GRANT DATE SHARE PRICE</b>
<b>F17</b> 5-Dec-16	\$10.42
<b>F18</b> 13-Nov-17 1-Mar-18	\$15.82 \$17.32
<b>F19</b> 12-Nov-18	\$15.56
<b>F20</b> 11-Nov-19	\$18.14

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: TAXATION

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 23 – INCOME TAX

	2020 \$M	2019 <sup>1</sup> \$M
The major components of income tax expense are:		
<b>Statement of profit or loss</b>		
Current income tax expense	99.3	156.8
Deferred income tax expense	9.6	10.3
<b>Total tax expense</b>	<b>108.9</b>	<b>167.1</b>
Deferred income tax expense included in the income tax expense comprises:		
Decrease in deferred tax assets	11.2	9.3
(Decrease)/increase in deferred tax liabilities	(1.6)	1.0
<b>Deferred income tax</b>	<b>9.6</b>	<b>10.3</b>
<b>Tax reconciliation</b>		
The amount of income tax expense as shown in the consolidated statement of profit or loss and other comprehensive income differs from the prima facie income tax expense attributable to earnings. The differences are reconciled as follows:		
Profit before tax excluding material items	406.3	575.6
Material items before tax	(36.6)	–
Profit before tax	369.7	575.6
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (F19: 30%)	110.9	172.7
Tax effect of:		
Non-taxable income and profits, net of non-deductible expenditure	2.9	2.5
Other deductible items	(5.8)	(3.4)
Tax losses recognised	–	(2.3)
Change in tax rate	(0.7)	0.6
Foreign tax rate differential	(5.3)	(6.1)
Other	5.7	2.7
Under/(over) provisions in previous years	1.2	0.4
<b>Total tax expense</b>	<b>108.9</b>	<b>167.1</b>
Income tax expense on operations	119.3	167.1
Income tax benefit attributable to material items	(10.4)	–
<b>Income tax expense</b>	<b>108.9</b>	<b>167.1</b>
<b>Deferred income tax relates to the following:</b>		
<b>Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Inventory	15.1	35.0
Property, plant and equipment (including vines)	3.6	0.6
Right-of-use assets and lease liabilities	42.3	38.7
Accruals	17.6	5.8
Provisions	18.3	19.6
Deferred interest	4.5	2.5
Foreign exchange	8.8	5.2
Tax losses	61.6	71.0
Other	11.7	8.6
<b>Total deferred tax assets</b>	<b>183.5</b>	<b>187.0</b>

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**TAXATION**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 23 – INCOME TAX (CONTINUED)**

	2020 \$M	2019 <sup>1</sup> \$M
<b>Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Inventory	14.4	16.2
Property, plant and equipment (including vines)	74.9	78.6
Intangibles	241.3	238.8
Other	3.6	1.1
<b>Total deferred tax liabilities</b>	<b>334.2</b>	<b>334.7</b>

**Movements in deferred income tax relate to the following:**

Movement in deferred tax assets:		
Opening balance	187.0	183.1
(Charged) to profit or loss	(11.2)	(9.3)
Recognised directly in Equity	4.7	3.0
Foreign currency translation	2.6	7.6
Reclassification	0.4	0.6
Other	–	2.0
Closing balance	183.5	187.0

Movement in deferred tax liabilities:

Opening balance	334.7	330.6
(Credited)/charged to profit or loss	(1.6)	1.0
Recognised directly in Equity	0.8	(1.4)
Business acquisitions	1.2	–
Transfer (to)/from Assets Held for Sale	(4.4)	(5.3)
Foreign currency translation	3.1	9.2
Reclassification	0.4	0.6
Closing balance	334.2	334.7

**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 credited to equity	3.9	4.4
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**Unrecognised tax assets**

There are potential future income tax benefits relating to accumulated losses in non-Australian group companies, which have not been brought to account. These possible benefits amount to \$38.1 million (F19: \$38.5 million).

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

**Ongoing tax audits**

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

**Franking credits**

The Australian Tax Consolidation Group has \$86.7 million (F19: \$58.7 million) of franking credits available for subsequent reporting periods.

**Key estimate and judgement:**

**Taxation**

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**TAXATION**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 23 – INCOME TAX (CONTINUED)**

**Accounting policies**

**Current taxes**

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

**Deferred taxes**

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

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

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

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

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

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

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

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

**Offsetting deferred tax balances**

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: RISK

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 24 – FINANCIAL RISK MANAGEMENT

### Financial risk management framework

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

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

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

- Liquidity risk;
- Interest rate risk;
- Foreign exchange risk; and
- Counterparty credit risk.

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

	NOTE	LIQUIDITY RISK (A)	INTEREST RATE RISK (B)	FOREIGN EXCHANGE RISK (C)	CREDIT RISK (D)
Net borrowings	18	×	×	×	×
Receivables	9		×	×	×
Other financial assets	9			×	×
Payables	9	×		×	
Derivative financial assets and liabilities	25, 32		×	×	×

### (a) Liquidity risk

#### Nature of the risk

The Group is exposed to liquidity risk primarily from its core operating activities. The Group's focus is to ensure it is able to meet financial obligations as and when they fall due.

#### Risk management

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

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

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

	2020 \$M	2019 \$M
<b>Committed facilities</b>		
Available facilities	2,111.3	1,887.1
Amounts utilised	(1,191.1)	(1,066.0)
<b>Amount unutilised</b>	<b>920.2</b>	<b>821.1</b>

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

### COVID-19 considerations

In F20 a number of additional measures were implemented to monitor the potential impact of COVID-19 to cash flows and liquidity. These included:

- Bi-monthly reporting to a sub-committee of the Board of cash flow and trading outlooks, including sensitivity analysis to consider the potential impacts of significant downside scenarios.
- Reductions in discretionary spending, including reduced travel and consulting spend, and reductions to non-essential capital expenditure.
- The Group established a US\$200.0 million syndicated debt facility maturing in October 2021. This facility was undrawn at 30 June 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Liquidity risk (continued)**

**Level of exposure at balance date**

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

	MATURING IN:					CONTRACTUAL TOTAL \$M	CARRYING AMOUNT \$M
	6 MONTHS OR LESS \$M	6 MONTHS TO 1 YEAR \$M	1 TO 2 YEARS \$M	2 TO 5 YEARS \$M	OVER 5 YEARS \$M		
<b>2020</b>							
<b>Non-derivative financial liabilities</b>							
Bank loans <sup>2</sup>	105.5	4.3	8.4	197.6	353.7	669.5	602.6
Lease liabilities	47.0	45.5	88.8	249.6	512.7	943.6	698.6
Other loans	0.2	–	0.6	–	–	0.8	0.8
US Private Placement Notes	119.9	9.7	19.5	228.3	314.6	692.0	581.9
Trade Payables	300.4	–	–	–	–	300.4	300.4
Other Payables	381.7	–	–	–	–	381.7	381.7
<b>Derivative financial liabilities</b>							
Foreign exchange contracts	0.3	0.8	0.8	0.2	–	2.1	2.1
Interest rate and cross currency swaps	7.1	7.3	14.9	8.9	–	38.2	24.0
<b>Total financial liabilities</b>	<b>962.1</b>	<b>67.6</b>	<b>133.0</b>	<b>684.6</b>	<b>1,181.0</b>	<b>3,028.3</b>	<b>2,592.1</b>
<b>2019<sup>1</sup></b>							
<b>Non-derivative financial liabilities</b>							
Bank loans <sup>2</sup>	10.1	8.9	15.8	215.3	345.2	595.3	492.7
Lease liabilities	47.2	47.3	89.9	251.5	593.0	1,028.9	704.6
Other loans	13.6	–	0.6	–	–	14.2	14.2
US Private Placement Notes	10.9	10.2	126.8	231.8	319.9	699.6	571.0
Trade payables	351.7	–	–	–	–	351.7	351.7
Other Payables	373.0	–	–	–	–	373.0	373.0
<b>Derivative financial liabilities</b>							
Foreign exchange contracts	0.6	0.7	0.7	0.2	–	2.2	2.2
Interest rate and cross currency swaps	0.8	2.1	4.8	7.4	–	15.1	6.8
<b>Total financial liabilities</b>	<b>807.9</b>	<b>69.2</b>	<b>238.6</b>	<b>706.2</b>	<b>1,258.1</b>	<b>3,080.0</b>	<b>2,516.2</b>

2. Loans are stated net of capitalised facility finance costs. At reporting date, the balance of bank loans is \$609.2 million (F19: \$499.6 million) against capitalised facility finance costs of \$6.6 million (F19: \$6.9 million) to be amortised over the facility period.

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Interest rate risk**

**Nature of the risk**

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

**Risk management**

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

A combination of interest rate swaps were exchanged to obtain the desired ratio of fixed and floating interest rates. At 30 June 2020, interest rate swap contracts were in use to exchange fixed interest rates to floating rates on \$363.7 million (US\$250.0 million) of US Private Placement notes. The swaps mature in December 2023, June 2027 and June 2029. Cross currency interest rate swaps are used to exchange floating USD interest on a portion of the USD syndicated debt facility of US\$120 million into AUD fixed rate of \$166.6 million with maturities in November 2023.

During the year interest rate collars were established to allow participation of floating interest rates whilst setting a fixed cap rate or fixed floor rate on \$116.4 million (US\$80.0 million) of drawn syndicated debt facilities and \$101.8 million (US\$70.0 million) of US Private Placement notes. The interest rate collars have maturities in June 2021, August 2021 and September 2022. Please refer note 23(a) for the profile and timing of cash flows over the next five years.

**Level of exposure at balance date**

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

	2020 \$M	2019 \$M
<b>Financial assets</b>		
Cash and cash equivalents	449.1	401.8
<b>Total assets</b>	449.1	401.8
<b>Financial liabilities</b>		
US Private Placement Notes <sup>1</sup>	43.6	285.5
Bank loans <sup>1</sup>	318.2	328.3
<b>Total liabilities</b>	361.8	613.8

1. Net of hedged amounts.

**Sensitivity analysis**

The table below shows the impact by currency denomination if the Group's weighted average floating interest rates change from the year-end rates of 1.23% (F19: 2.14%) with all other variables held constant.

CURRENCY	SENSITIVITY		PRE-TAX IMPACT ON PROFIT			
	2020	2019		2020	2019	
			+	-	+	-
			\$M	\$M	\$M	\$M
USD	+ / - 25bp	+ / - 25bp	(0.2)	0.2	(1.4)	1.4
AUD	+ / - 25bp	+ / - 25bp	0.2	(0.2)	0.7	(0.7)
GBP	+ / - 25bp	+ / - 25bp	0.1	(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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
RISK  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Foreign exchange risk**

**Nature of the risk**

The Group is exposed to foreign exchange risk through:

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

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

**Risk management**

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

A proportion of expenses are hedged over time up to a period of three years. The nominal amount and average hedge rate of the instruments in place at 30 June 2020 are disclosed in the following table.

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

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

**Open foreign currency hedges at 30 June 2020**

<b>CURRENCY</b>	<b>HEDGE TYPE</b>	<b>HEDGE VALUE (NOTIONAL AUD) \$M</b>	<b>AVERAGE HEDGE RATE</b>
<b>AUD/USD</b>	Forwards	65.2	0.6353
	Options	199.2	0.6644
	<b>Total</b>	<b>264.4</b>	
<b>AUD/GBP</b>	Forwards	32.3	0.5320
	Options	209.9	0.5255
	<b>Total</b>	<b>242.2</b>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Foreign exchange risk (continued)**

**Level of exposure at balance date**

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

<b>ALL BALANCES TRANSLATED TO AUD</b>	<b>AUD \$M</b>	<b>USD \$M</b>	<b>GBP \$M</b>	<b>OTHER \$M</b>	<b>TOTAL \$M</b>
<b>2020</b>					
<b>Net debt</b>					
Cash and cash equivalents	160.4	186.1	58.4	44.2	449.1
Loan receivable	0.6	–	–	–	0.6
Bank loans <sup>2</sup>	(98.2)	(504.4)	–	–	(602.6)
US Private Placement Notes (net of fair value hedge)	–	(581.9)	–	–	(581.9)
Lease liabilities	(105.6)	(568.2)	(0.4)	(24.4)	(698.6)
Other loan payable	(0.8)	–	–	–	(0.8)
<b>Net debt</b>	<b>(43.6)</b>	<b>(1,468.4)</b>	<b>58.0</b>	<b>19.8</b>	<b>(1,434.2)</b>
<b>Other financial assets/(liabilities)</b>					
Trade receivables (net of allowance for expected credit loss)	226.0	110.8	74.2	57.6	468.6
Other receivables	25.1	18.8	0.5	0.8	45.2
Trade and other payables	(323.3)	(240.0)	(61.2)	(57.6)	(682.1)
<b>Net other assets/(liabilities)</b>	<b>(72.2)</b>	<b>(110.4)</b>	<b>13.5</b>	<b>0.8</b>	<b>(168.3)</b>
<b>2019<sup>1</sup></b>					
<b>Net debt</b>					
Cash and cash equivalents	273.8	75.6	10.9	41.5	401.8
Loan receivable	0.7	–	–	–	0.7
Bank loans <sup>2</sup>	1.8	(494.5)	–	–	(492.7)
US Private Placement Notes (net of fair value hedge)	–	(571.0)	–	–	(571.0)
Lease liabilities	(106.1)	(582.8)	(0.9)	(14.8)	(704.6)
Other loan payable	(14.2)	–	–	–	(14.2)
<b>Net debt</b>	<b>156.0</b>	<b>(1,572.7)</b>	<b>10.0</b>	<b>26.7</b>	<b>(1,380.0)</b>
<b>Other financial assets/(liabilities)</b>					
Trade receivables (net of allowance for expected credit loss)	305.8	116.1	73.2	48.1	543.2
Other receivables	36.2	52.5	0.6	2.1	91.4
Trade and other payables	(306.7)	(287.7)	(70.3)	(53.9)	(718.6)
<b>Net other assets/(liabilities)</b>	<b>35.3</b>	<b>(119.1)</b>	<b>3.5</b>	<b>(3.7)</b>	<b>(84.0)</b>

2. Includes capitalised borrowing costs of \$6.6 million (F19: \$6.9 million).

**Sensitivity analysis**

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

<b>CURRENCY</b>	<b>SENSITIVITY ASSUMPTION<sup>1</sup></b>		<b>PRE-TAX IMPACT ON PROFIT \$M</b>				<b>IMPACT ON EQUITY \$M</b>			
	<b>2020</b>	<b>2019</b>	<b>2020</b>		<b>2019</b>		<b>2020</b>		<b>2019</b>	
			<b>+</b>	<b>–</b>	<b>+</b>	<b>–</b>	<b>+</b>	<b>–</b>	<b>+</b>	<b>–</b>
United States Dollar	10.9%	8.2%	(0.9)	1.1	(0.8)	1.0	(78.0)	103.1	(45.8)	58.4
Great Britain Pound	9.8%	9.9%	(0.4)	0.5	(0.1)	0.1	(22.0)	29.1	(14.3)	19.9
Euro	9.4%	7.1%	0.9	(1.1)	(0.3)	0.4	(7.3)	8.9	0.3	0.4
Canadian Dollar	8.6%	6.2%	(1.4)	1.6	(1.2)	1.3	1.3	(1.5)	1.0	(1.1)
New Zealand Dollar	5.8%	5.4%	(0.1)	0.1	(0.1)	0.2	(8.1)	9.1	(6.9)	7.7

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

### RISK

#### FOR THE YEAR ENDED 30 JUNE 2020

#### NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Credit risk

###### Nature of the risk

Counterparty credit risk arises primarily from the following assets:

- Cash and cash equivalents;
- Trade and other receivables; and
- Derivative instruments.

###### Risk management

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

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

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

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

###### COVID-19 considerations

In F20 the Group, as part of its normal monitoring of the credit quality of trade receivables, implemented more frequent telephone contact and engagement with customers to understand customer trading and credit circumstances, and supporting them through any short term challenges identified. The Group also increased the frequency of monitoring customer credit risk assessments across the entire customer portfolio. No customers were identified to be in financial distress and no bad debts have been written off in F20.

###### Level of exposure at balance date

The maximum counterparty credit risk exposure at 30 June 2020 in respect of derivative financial instruments was \$13.9 million (F19: \$3.4 million) and in respect of cash and cash equivalents was \$109.6 million (F19: \$110.0 million). The Group's authorised counterparties are restricted to banks and financial institutions whose long-term credit rating is at or above a Standard and Poors rating of A- (or Moody's equivalent rating of A3), with any exceptions requiring approval from the Board. Commercial paper investments are restricted to counterparties whose short-term credit rating is at or above a Standard and Poor's rating of A-1 (or Moody's equivalent rating of P-2). The magnitude of credit risk in relation to receivables is generally the carrying amount, net of any allowance for expected credit loss. The ageing of the consolidated Group trade receivables (net of provisions) is outlined below:

	2020 \$M	2019 \$M
Not past due	396.4	489.1
Past due 1–30 days	20.9	29.7
Past due 31–60 days	18.2	9.4
Past due 61 days+	33.1	15.0
<b>Total</b>	<b>468.6</b>	<b>543.2</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

### RISK

#### FOR THE YEAR ENDED 30 JUNE 2020

#### NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS

At reporting date, there were \$506.5 million (Australian dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (F19: \$721.9 million), interest rate swaps of \$654.7 million (F19: \$499.6 million) and cross currency interest rate swaps of \$174.6 million (F19: \$171.3 million) and interest rate collars of \$218.2 million (F19: Nil). These instruments are regarded as Level 2 under AASB's Fair Value measurement hierarchy.

#### NOTE 26 – FAIR VALUES

The fair values of cash and cash equivalents, financial assets and most financial liabilities approximate their carrying value. The fair value of the US Private Placement Notes is \$679.3 million (F19: \$637.1 million) and the fair value of the syndicated debt facility is \$530.3 million (F19: \$544.5 million). There have been no reclassifications of financial assets from fair value to cost, or from cost or amortised cost to fair value during the year.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP COMPOSITION

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 27 – SUBSIDIARIES

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

ENTITY NAME	COUNTRY OF INCORPORATION
<b>Equity holding of 100% (F19: 100%)</b>	
Aldershot Nominees Pty. Ltd.*	Australia
B Seppelt & Sons Limited*	Australia
Beringer Blass Distribution S.R.L.	Italy
Beringer Blass Italia S.R.L.	Italy
Beringer Blass Wine Estates Chile Limitada	Chile
Beringer Blass Wine Estates Limited	UK
Beringer Blass Wines Pty. Ltd.*	Australia
Bilyara Vineyards Pty. Ltd.*	Australia
Cellarmaster Wines (UK) Limited	UK
Cellarmaster Wines Holdings (UK) Limited	UK
Coldstream Australasia Limited*	Australia
Cuppa Cup Vineyards Pty. Ltd.	Australia
Devil's Lair Pty. Ltd.	Australia
Ewines Pty. Ltd.	Australia
FBL Holdings Limited	UK
Il Cavaliere del Castello di Gabbiano S.r.l.	Italy
Interbev Pty. Ltd.*	Australia
James Herrick Wines Limited <sup>(a)</sup>	UK
Leo Buring Pty. Ltd.	Australia
Lindeman (Holdings) Limited*	Australia
Lindemans Wines Pty. Ltd.	Australia
Mag Wines Pty. Ltd.	Australia
Majorca Pty. Ltd.*	Australia
Mildara Holdings Pty. Ltd.*	Australia
North America Packaging (Pacific Rim) Corporation	USA
Penfolds Wines Pty Ltd	Australia
Piat Pere et Fils B.V.	Netherlands
Premium Land, Inc.	USA
Robertsons Well Pty. Ltd.	Australia
Robertsons Well Unit Trust	Australia
Rosemount Estates Pty. Ltd.	Australia
Rothbury Wines Pty. Ltd.*	Australia
SCW905 Limited*	Australia
Seaview Wynn Pty. Ltd.*	Australia
Société Civile d'Exploitation Agricole Cambon La Pelouse <sup>1</sup>	France
Southcorp Australia Pty. Ltd. *	Australia
Southcorp Brands Pty. Ltd.*	Australia
Southcorp International Investments Pty. Ltd.*	Australia
Southcorp Limited*	Australia
Southcorp NZ Pty. Ltd.*	Australia
Southcorp Whitegoods Pty. Ltd.	Australia
Southcorp Wines Asia Pty. Ltd.	Australia
Southcorp Wines Europe Limited <sup>(a)</sup>	UK
Southcorp Wines Pty. Ltd.*	Australia
Southcorp XUK Limited	UK
T'Gallant Winemakers Pty. Ltd.	Australia
The New Zealand Wine Club Limited <sup>(a)</sup>	UK
The Rothbury Estate Pty. Ltd.*	Australia
Tolley Scott & Tolley Limited*	Australia
Treasury Americas Inc	USA

1. F19 equity holding of 0%



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
GROUP COMPOSITION  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 27 – SUBSIDIARIES (CONTINUED)**

ENTITY NAME	COUNTRY OF INCORPORATION
Treasury Chateau & Estates LLC	USA
Treasury Logistics Pty Ltd*	Australia
Treasury Wine Estates (China) Holding Co Pty Ltd*	Australia
Treasury Wine Estates (Matua) Limited	New Zealand
Treasury Wine Estates (NZ) Holding Co Pty Ltd*	Australia
Treasury Wine Estates (Shanghai) Trading Co. Ltd.	China
Treasury Wine Estates (UK) Holding Co Pty Ltd*	Australia
Treasury Wine Estates Americas Company	USA
Treasury Wine Estates Asia (SEA) Pte Ltd	Singapore
Treasury Wine Estates Asia Pty. Ltd.	Australia
Treasury Wine Estates Australia Limited*	Australia
Treasury Wine Estates Barossa Vineyards Pty. Ltd.	Australia
Treasury Wine Estates Canada, Inc.	Canada
Treasury Wine Estates Denmark ApS	Denmark
Treasury Wine Estates EMEA Limited	UK
Treasury Wine Estates France S.A.R.L.	France
Treasury Wine Estates HK Limited	Hong Kong SAR, China
Treasury Wine Estates Holdings Inc.	USA
Treasury Wine Estates Japan KK	Japan
Treasury Wine Estates Limited*	Australia
Treasury Wine Estates Netherlands B.V	Netherlands
Treasury Wine Estates Norway AS	Norway
Treasury Wine Estates Sweden AB	Sweden
Treasury Wine Estates UK Brands Limited	UK
Treasury Wine Estates Vintners Limited*	Australia
TWE Finance (Aust) Limited*	Australia
TWE Finance (UK) Limited	UK
TWE Insurance Company Pte. Ltd.	Singapore
TWE Lima Pty Ltd*	Australia
TWE Share Plans Pty Ltd	Australia
TWE US Finance Co.	USA
TWE USA Partnership	USA
Wolf Blass Wines Pty. Ltd.*	Australia
Woodley Wines Pty. Ltd.	Australia
Wynn Winegrowers Pty. Ltd.	Australia
Wynns Coonawarra Estate Pty. Ltd	Australia

\* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to note 29) and relieved from the requirement to prepare audited financial statements by ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

(a) These entities were dissolved on 3 March 2020.

**Equity holding of less than 100%**

ENTITY NAME	COUNTRY OF INCORPORATION	% OF HOLDING	
		2020	2019
Fiddlesticks LLC	USA	50.0	50.0
Graymoor Estate Joint Venture	Australia	48.8	48.8
Graymoor Estate Pty. Ltd.	Australia	48.8	48.8
Graymoor Estate Unit Trust	Australia	48.8	48.8
North Para Environment Control Pty. Ltd.	Australia	69.9	69.9

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
GROUP COMPOSITION  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 28 – PARENT ENTITY FINANCIAL INFORMATION**

**(a) Summary financial information**

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

	2020 \$M	2019 \$M
<b>Balance sheet</b>		
Current assets	841.4	827.0
Total assets	8,948.2	8,933.1
Current liabilities	5,293.7	5,343.3
Total liabilities	5,293.7	5,343.3
<b>Net assets</b>	<b>3,654.5</b>	<b>3,589.8</b>
<b>Shareholders' equity</b>		
Issued capital	3,269.8	3,247.3
Share based payments reserve	(54.6)	(34.6)
Retained earnings	439.3	377.1
<b>Total equity</b>	<b>3,654.5</b>	<b>3,589.8</b>
<b>Profit for the year</b>	<b>350.0</b>	421.0
<b>Total comprehensive income</b>	<b>350.0</b>	421.0

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

**(b) Financial guarantees**

Refer note 18 for financial guarantees to banks, financiers and other persons.

**(c) Tax consolidation legislation**

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

**(d) Capital commitments**

There are no capital commitments for the Company (F19: nil).

**NOTE 29 – DEED OF CROSS GUARANTEE**

Under the terms of ASIC Corporations (Wholly owned Companies) Instrument 2016/785, 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 27.

A summarised consolidated statement of profit or loss and other comprehensive income, retained earnings reconciliation and a consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2020 are set out below.

	2020 \$M	2019 <sup>1</sup> \$M
<b>Extract of the statement of profit or loss and other comprehensive income</b>		
Profit before tax	268.7	452.3
Income tax expense	(79.6)	(137.4)
<b>Net profit after tax</b>	<b>189.1</b>	314.9
Retained earnings at beginning of the year	190.7	127.1
External dividends	(287.9)	(251.3)
<b>Retained earnings at end of the year</b>	<b>91.9</b>	190.7

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
GROUP COMPOSITION  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 29 – DEED OF CROSS GUARANTEE (CONTINUED)**

	2020 \$M	2019 <sup>1</sup> \$M
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	267.3	273.1
Receivables	245.3	296.2
Inventories	495.6	480.0
Investments	1.9	1.9
Other current assets	6.6	4.4
<b>Total current assets</b>	<b>1,016.7</b>	<b>1,055.6</b>
<b>Non-current assets</b>		
Inventories	528.9	569.9
Investments	2,257.5	2,257.5
Property, plant and equipment	588.7	541.4
Right-of-use assets	96.2	98.0
Intangible assets	576.9	569.3
Deferred tax assets	35.7	31.1
Other non-current assets	2.7	1.1
<b>Total non-current assets</b>	<b>4,086.6</b>	<b>4,068.3</b>
<b>Total assets</b>	<b>5,103.3</b>	<b>5,123.9</b>
<b>Current liabilities</b>		
Trade and other payables	306.6	308.6
Borrowings	643.9	565.2
Current tax liabilities	23.9	89.2
Provisions	38.5	28.9
Other current liabilities	6.7	4.7
<b>Total current liabilities</b>	<b>1,019.6</b>	<b>996.6</b>
<b>Non-current liabilities</b>		
Borrowings	638.7	586.6
Deferred tax liabilities	122.6	125.5
Other non-current liabilities	11.6	10.3
<b>Total non-current liabilities</b>	<b>772.9</b>	<b>722.4</b>
<b>Total liabilities</b>	<b>1,792.5</b>	<b>1,719.0</b>
<b>Net assets</b>	<b>3,310.8</b>	<b>3,404.9</b>
<b>Equity</b>		
Contributed equity	3,269.8	3,247.3
Reserves	(50.9)	(33.1)
Retained earnings	91.9	190.7
<b>Total equity</b>	<b>3,310.8</b>	<b>3,404.9</b>

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

1. Reported results restated for changes to accounting policies. Refer to note 32 for transition impacts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 30 – RELATED PARTY DISCLOSURES

### Ownership interests in related parties

All material ownership interests in related parties are disclosed in note 27 to the financial statements.

### Parent entity

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

### Transactions with entities in the wholly-owned Group

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

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

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

### Transactions with other related parties

The Group entered into transactions which are insignificant in amount with executives, non-executive Directors 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.

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

### Key management personnel compensation

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

	2020 \$	2019 \$
Short-term employee benefits	3,796,905	9,734,012
Post-employment benefits	63,008	54,272
Share based payments	6,897,611	5,306,803
<b>Total</b>	<b>10,757,524</b>	<b>15,095,087</b>

Additionally, compensation paid to non-executive directors was \$1,962,059 (F19: \$1,845,107).

## NOTE 31 – REMUNERATION OF AUDITORS

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

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

	2020 \$	2019 \$
Audit and review of financial statements and other audit work under the <i>Corporations Act 2001</i>	1,303,462	1,452,298
Associate firms of Auditor	420,737	397,702
Other assurance services	–	51,000
Audit and review services	1,724,199	1,901,000
Other non-audit services	58,882	346,348
<b>Total</b>	<b>1,783,081</b>	<b>2,247,348</b>

The Group engages KPMG to provide other non-audit services where their expertise and experience best qualifies them to provide the appropriate service and as long as stringent independence requirements are satisfied. In the year ended 30 June 2020, KPMG earned fees in respect to the provision of advisory and taxation services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OTHER  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 32 – OTHER ACCOUNTING POLICIES**

**New accounting standards and interpretations**

Since 30 June 2019, the Group has adopted the following new and amended accounting standards.

REFERENCE	TITLE	APPLICATION
AASB 16	<i>Leases</i>	1 January 2019
IFRS Interpretations Committee – April 2020	<i>Multiple Tax Consequences of Recovering an Asset (AASB 112 Income Taxes)—Agenda Paper 2</i>	1 January 2019
Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
AASB 2017-4	<i>Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments</i>	1 January 2019
AASB 9	<i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i>	1 January 2019
AASB 128	<i>Long-term Interests in Associates and Joint Ventures (Amendments to AASB 128)</i>	1 January 2019
AASB 119	<i>Plan Amendment, Curtailment or Settlement (Amendments to AASB 119)</i>	1 January 2019
	<i>Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards</i>	1 January 2019
AASB 2019-3	<i>Interest Rate Benchmark Reform</i>	1 January 2019

Other than the impact of AASB 16 *Leases* and the IFRS Interpretation Committee – April 2020 outlined below, the adoption of these standards did not have a significant impact on the consolidated financial statements.

**AASB 16 Leases**

AASB 16 *Leases* was released in February 2016 by the Australian Accounting Standards Board. This standard removes the lease classification test for lessees and requires the Group to bring all material leases with lease terms greater than one year onto the balance sheet. There is also new guidance on when an arrangement would meet the definition of a lease. The Group has chosen not to recognise short-term leases, which are those less than 12 months, and leases of low-value assets on the balance sheet.

The Group recognises new assets and liabilities for its operating leases including vineyards, buildings, equipment and motor vehicles, and the nature of the expenses related to those leases changed as AASB 16 *Leases* replaced the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on the lease liabilities.

The Group applied the full retrospective transition option and applied the adopted policy on a fully retrospective basis from 1 July 2019. Please refer to note 11 for the Group's policy on leases.

**IFRIC Agenda Decision – Multiple Tax Consequences of Recovering an Asset (AASB 112 Income Taxes)**

The IFRS Interpretations Committee received a request about deferred tax when the recovery of the carrying amount of an asset gives rise to multiple tax consequences, specifically, where an entity acquires an intangible asset with a finite useful life as part of a business combination. The request asked how the entity determines the tax base of the asset and, consequently, how it recognises and measures deferred tax based on the principles of AASB 112 *Income Taxes* (referred as AASB 112).

In applying this decision from the IFRS Interpretations Committee, the Group has recognised a deferred tax liability on historic intangible asset acquisitions as part of a business combination.

**Impact of adopting new policies**

The below summarises the impact of adopting the new policies on the Group's consolidated financial statements for those periods presented within the 30 June 2020 financial statements. Only restated lines have been included in the tables below:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OTHER  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT)**

Operating profit has been restated to remove operating lease payments previously recognised and to recognise depreciation expense on the right-of-use assets that are now recognised on the balance sheet. Interest expense on lease liabilities has been recognised within finance costs. Adjustments to taxation are due to the change in profit before taxation. Currency translation gains/losses have also been restated to reflect the foreign exchange impact of AASB 16 *Leases* on foreign subsidiaries.

	30 JUNE 2019 \$M REPORTED	INCREASE/ DECREASE \$M		30 JUNE 2019 \$M RESTATED
		AASB 16	AASB 112	
Cost of sales	(1,660.8)	18.3	–	(1,642.5)
Finance costs	(99.4)	(33.7)	–	(133.1)
Profit before tax	591.0	(15.4)	–	575.6
Income tax expense	(171.5)	4.3	0.1	(167.1)
<b>Net profit attributed to members of Treasury Wine Estates Limited</b>	<b>419.5</b>	<b>(11.1)</b>	<b>0.1</b>	<b>408.5</b>
Exchange difference on translation of foreign operations	69.2	(3.1)	–	66.1
<b>Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited</b>	<b>478.1</b>	<b>(14.2)</b>	<b>0.1</b>	<b>464.0</b>
Earnings per share for profit attributed to the ordinary equity holders of the Company				
• Basic	58.4	(1.5)	–	56.9
• Diluted	58.1	(1.5)	–	56.6

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)**

The Group recognised right-of-use assets on the balance sheet representing the right to use of the underlying assets from the lease contracts. Current and non-current lease liabilities were also recognised for the present value of the lease payments due under the lease contracts. Deferred tax adjustments are due to temporary timing differences arising from the recognition of right-of-use assets and lease liabilities. Shareholder's equity has been restated to reflect the cumulative impact of AASB 16 *Leases* on retained earnings and currency translation adjustment as a result of restatement of foreign subsidiaries.

The Group recognised a deferred tax liability with a corresponding increase to goodwill in relation to the AASB 112 accounting policy change, for deferred taxes recognised on intangible asset acquisitions as part of a business combination.

	30 JUNE 2019 \$M REPORTED	INCREASE/ DECREASE \$M		30 JUNE 2019 \$M RESTATED
		AASB 16	AASB 112	
<b>Assets</b>				
Current and non-current inventory	2,092.9	(45.6)	–	<b>2,047.3</b>
Right-of-use assets	–	535.9	–	<b>535.9</b>
Deferred tax assets	152.3	34.7	–	<b>187.0</b>
Property, plant and equipment	1,398.7	(28.8)	–	<b>1,369.9</b>
Intangible assets	1,163.8	–	145.1	<b>1,308.9</b>
<b>Liabilities</b>				
Trade and other payables	780.7	(62.1)	–	<b>718.6</b>
Provisions	45.8	(2.2)	–	<b>43.6</b>
Other current and non-current liabilities	30.4	(17.3)	–	<b>13.1</b>
Deferred tax liabilities	194.1	6.0	134.6	<b>334.7</b>
Current and non-current borrowings	1,147.7	646.9	–	<b>1,794.6</b>
<b>Equity</b>				
Reserves	33.8	(4.6)	(0.1)	<b>29.1</b>
Retained earnings	424.4	(70.5)	10.6	<b>364.5</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OTHER  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT) (CONTINUED)**

	30 JUNE 2018 \$M REPORTED	INCREASE/ DECREASE \$M		30 JUNE 2018 \$M RESTATED
		AASB 16	AASB 112	
<b>Assets</b>				
Current and non-current inventory	1,964.4	(39.3)	–	1,925.1
Right-of-use assets	–	456.0	–	456.0
Deferred tax assets	154.5	28.6	–	183.1
Property, plant and equipment	1,416.5	(30.2)	–	1,386.3
Intangible assets	1,128.9	–	145.0	1,273.9
<b>Liabilities</b>				
Trade and other payables	759.3	(62.2)	–	697.1
Provisions	45.4	(1.4)	–	44.0
Other current and non-current liabilities	24.1	(4.3)	–	19.8
Deferred tax liabilities	190.8	5.4	134.5	330.7
Current and non-current borrowings	875.3	538.6	–	1,413.9
<b>Equity</b>				
Reserves	0.4	(1.6)	–	(1.2)
Retained earnings	256.2	(59.4)	10.5	207.3

**CONSOLIDATED STATEMENT OF CASH FLOWS (EXTRACT)**

There is no impact on overall cash flows on the Group from the adoption of AASB 16 *Leases*. Cash outflows for lease payments have been reclassified from operating activities – “payments to suppliers, governments and employees” to operating activities – “interest paid” and cash flows used in financing activities – ‘repayment of borrowings’.

There is no impact to cash flows as a result of adopting the amendments to AASB 112 *Income Taxes*.

	30 JUNE 2019 \$M REPORTED	INCREASE/ DECREASE \$M	30 JUNE 2019 \$M RESTATED
Payment to suppliers, governments and employees	(3,110.0)	80.0	(3,030.0)
Interest paid	(43.8)	(33.7)	(77.5)
Repayment of borrowings	(492.2)	(46.3)	(538.5)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OTHER**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**SEGMENT INFORMATION (EXTRACT)**

The principal profit metric for internal management reporting is Management earnings before interest, tax, SGARA and material items (EBITS). The adoption of AASB 16 *Leases* also requires the recognition of depreciation expense on the right-of use assets.

The table below outlines the impact of AASB 16 *Leases* adoption, the reclassification of Middle, East and Africa ('MEA') from Asia to Europe (refer to note 2 for further information), and the AASB 112 *Income Taxes* policy change, on reported EBITS, depreciation expense, Segment Asset and Segment Liabilities.

	ANZ \$M	AMERICAS \$M	ASIA \$M	EMEA \$M	TOTAL SEGMENT \$	UNALLOCATED/ CORPORATE \$M	CONSOLIDATED \$M
<b>Management EBITS – 30 June 2019 reported</b>	<b>156.5</b>	<b>218.7</b>	<b>293.5</b>	<b>51.4</b>	<b>720.1</b>	<b>(57.4)</b>	<b>662.7</b>
Increase/(Decrease) from AASB 16	1.5	14.7	1.0	0.4	17.6	0.7	18.3
Increase/(Decrease) from MEA	–	–	(11.5)	11.5	–	–	–
<b>Management EBITS – 30 June 2019 restated</b>	<b>158.0</b>	<b>233.4</b>	<b>283.0</b>	<b>63.3</b>	<b>737.7</b>	<b>(56.7)</b>	<b>681.0</b>
<b>Depreciation – 30 June 2019 reported</b>	<b>(38.4)</b>	<b>(44.6)</b>	<b>(0.9)</b>	<b>(1.8)</b>	<b>(85.7)</b>	<b>(3.5)</b>	<b>(89.2)</b>
(Increase)/Decrease AASB 16	(13.7)	(38.2)	(2.7)	(0.7)	(55.3)	(3.6)	(58.9)
<b>Depreciation – 30 June 2019 restated</b>	<b>(52.1)</b>	<b>(82.8)</b>	<b>(3.6)</b>	<b>(2.5)</b>	<b>(141.0)</b>	<b>(7.1)</b>	<b>(148.1)</b>
<b>Segment Assets – 30 June 2019 reported</b>	<b>2,286.2</b>	<b>2,487.6</b>	<b>228.3</b>	<b>357.5</b>	<b>5,359.6</b>	<b>640.6</b>	<b>6,000.2</b>
Increase/(Decrease) for AASB 16	74.6	353.7	5.6	1.7	435.6	60.6	496.2
Increase/(Decrease) for AASB 112	144.3	–	–	0.8	145.1	–	145.1
Increase/(Decrease) from MEA	–	–	(10.9)	10.9	–	–	–
<b>Segment Assets – 30 June 2019 restated</b>	<b>2,505.1</b>	<b>2,841.3</b>	<b>223.0</b>	<b>370.9</b>	<b>5,940.3</b>	<b>701.2</b>	<b>6,641.5</b>
<b>Segment Liabilities – 30 June 2019 reported</b>	<b>(273.1)</b>	<b>(421.7)</b>	<b>(51.8)</b>	<b>(92.8)</b>	<b>(839.4)</b>	<b>(1,454.7)</b>	<b>(2,294.1)</b>
(Increase)/Decrease for AASB 16	(86.3)	(443.6)	(6.1)	(2.2)	(538.2)	(33.1)	(571.3)
(Increase)/Decrease for AASB 112	–	–	–	–	–	(134.6)	(134.6)
<b>Segment Liabilities – 30 June 2019 restated</b>	<b>(359.4)</b>	<b>(865.3)</b>	<b>(57.9)</b>	<b>(95.0)</b>	<b>(1,377.6)</b>	<b>(1,622.4)</b>	<b>(3,000.0)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OTHER  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**SEGMENT INFORMATION (EXTRACT)**

	ANZ \$M	AMERICAS \$M	ASIA \$M	EMEA \$M	TOTAL SEGMENT \$	UNALLOCATED/ CORPORATE \$M	CONSOLIDATED \$M
<b>Segment Assets – 30 June 2018 reported</b>	<b>2,212.6</b>	<b>2,362.9</b>	<b>192.6</b>	<b>329.6</b>	<b>5,097.7</b>	<b>348.0</b>	<b>5,445.7</b>
Increase/(Decrease) for AASB 16	51.8	322.1	8.1	2.3	384.3	30.8	415.1
Increase/(Decrease) for AASB 112	144.2	–	–	0.8	145.0	–	145.0
Increase/(Decrease) from MEA	–	–	(7.1)	7.1	–	–	–
<b>Segment Assets – 30 June 2018 restated</b>	<b>2,408.6</b>	<b>2,685.0</b>	<b>193.6</b>	<b>339.8</b>	<b>5,627.0</b>	<b>378.8</b>	<b>6,005.8</b>
<b>Segment Liabilities – 30 June 2018 reported</b>	<b>(269.3)</b>	<b>(401.1)</b>	<b>(57.9)</b>	<b>(87.5)</b>	<b>(815.8)</b>	<b>(1,133.6)</b>	<b>(1,949.4)</b>
(Increase)/Decrease for AASB 16	(62.1)	(393.9)	(8.6)	(2.9)	(467.5)	(8.6)	(476.1)
(Increase)/Decrease for AASB 112	–	–	–	–	–	(134.5)	(134.5)
<b>Segment Liabilities – 30 June 2018 restated</b>	<b>(331.4)</b>	<b>(795.0)</b>	<b>(66.5)</b>	<b>(90.4)</b>	<b>(1,283.3)</b>	<b>(1,276.7)</b>	<b>(2,560.0)</b>

The presentation of non-current assets is based on the geographical location of the assets.

NON-CURRENT ASSETS	30 JUNE 2019 REPORTED \$M	INCREASE/ DECREASE \$M		30 JUNE 2019 RESTATED \$M
		AASB 16	AASB 112	
Australia	1,629.0	97.7	144.3	1,871.0
United States of America	1,776.8	372.0	–	2,148.8
United Kingdom	151.4	0.8	–	152.2
Other geographical locations	109.4	13.3	0.8	123.5
<b>Total geographical non-current assets</b>	<b>3,666.6</b>	<b>483.8</b>	<b>145.1</b>	<b>4,295.5</b>
Other non-current assets	165.0	34.7	–	199.7
<b>Consolidated non-current assets</b>	<b>3,831.6</b>	<b>518.5</b>	<b>145.1</b>	<b>4,495.2</b>

NON-CURRENT ASSETS	30 JUNE 2018 REPORTED \$M	INCREASE/ DECREASE \$M		30 JUNE 2018 RESTATED \$M
		AASB 16	AASB 112	
Australia	1,567.0	51.0	144.2	1,762.2
United States of America	1,716.6	357.8	–	2,074.4
United Kingdom	137.9	1.2	–	139.1
Other geographical locations	121.7	15.8	0.8	138.3
<b>Total geographical non-current assets</b>	<b>3,543.2</b>	<b>425.8</b>	<b>145.0</b>	<b>4,114.0</b>
Other non-current assets	160.7	28.6	–	189.3
<b>Consolidated non-current assets</b>	<b>3,703.9</b>	<b>454.4</b>	<b>145.0</b>	<b>4,303.3</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OTHER  
FOR THE YEAR ENDED 30 JUNE 2020**

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**Issued but not yet effective accounting standards**

The following relevant accounting standards have recently been issued or amended but are not yet effective and have not been adopted for this year-end reporting period.

REFERENCE	TITLE	APPLICATION
	<i>Amendments to References to Conceptual Framework in IFRS Standards</i>	1 January 2020
AASB 2018-6	<i>Amendments to Australian Accounting Standards – definition of a Business</i>	1 January 2020
AASB 2018-7	<i>Amendments to Australian Accounting Standards – definition of Material</i>	1 January 2020
AASB 2019-1	<i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020
AASB 2019-5	<i>Disclosure of the effect of new IFRS Standards not yet issued in Australia</i>	1 January 2020
AASB 17	<i>Insurance Contracts</i>	1 January 2021
AASB 10 and AASB 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)</i>	1 January 2022
AASB 2020-3	<i>Annual improvements 2018-2022 cycle (Amendments to AASB 1, 3, 9, 116, 137, 141)</i>	1 January 2022
AASB 2020-1	<i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023

These standards are not expected to have a material impact on the Group's financial position or its performance.

**Other accounting policies**

**Finance income**

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

**Finance costs**

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

**Financial assets**

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

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

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

**Amortised cost**

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

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

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are determined using historical recovery of contractual cash flows and the amount of loss incurred, adjusted for current economic and credit conditions.

An impairment loss is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Impairment losses on assets classified as amortised cost are recognised in profit or loss when they are expected, not when they are incurred. If a later event causes the impairment loss to decrease, the amount is reversed in profit or loss.

**Derecognition of financial assets**

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

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

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**Derivatives**

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

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

**Hedge accounting**

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

**Initial recognition**

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

**Re-balancing**

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

**Discontinuation**

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

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

**Fair value hedges**

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

**Cash flow hedges**

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

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

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

**NOTE 33 – CLASS ACTION**

Two Australian shareholder class actions have been commenced against TWE Limited.

The first action was served on 2 April 2020 by Slater & Gordon (S&G) acting for Brett Stallard as trustee for the Stallard superannuation fund. The second action was served on 1 May 2020 by Maurice Blackburn (MB) acting for Steven Napier. The class in both proceedings comprise shareholders who purchased shares between 30 June 2018 and 28 January 2020. Both proceedings allege that the Company breached its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act and that it engaged in misleading or deceptive conduct in contravention of the Corporations Act and the ASIC Act.

With regard to claims, the Company strongly denies any and all allegations made against it and is vigorously defending the proceedings.

Based on the information currently available, the Company does not know the quantum of either class action. No provision has been recognised at 30 June 2020 in respect of the claim.