



TREASURY WINE ESTATES

19 August 2021

ASX ANNOUNCEMENT

Appendix 4E and 2021 Annual Results

Treasury Wine Estates Ltd (ASX:TWE) has today released its full year financial statements for the year ended 30 June 2021. 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 2021

ABN 24 004 373 862

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	Year ended 30 June 2021 \$M	Year ended 30 June 2020 \$M	% Change increase/ (decrease)	Amount increase/ (decrease) \$M
Revenue from ordinary activities	2,683.9	2,678.2	0.2%	5.7
Profit attributable to members of Treasury Wine Estates Limited	250.0	245.4	1.9%	4.6
Net profit after tax before material items, SGARA	309.6	300.4	3.1%	9.2
Earnings before interest, tax, SGARA and material items	510.3	512.6	(0.4)%	(2.3)

Earnings per share	Year ended 30 June 2021 Cents per share	Year ended 30 June 2020 Cents per share
Basic earnings per share	34.7	34.1
Basic earnings per share, adjusted to exclude SGARA, material items	42.9	41.7

Dividends (distributions)	Cents per share	Franking %
Final dividend – year ended 30 June 2021 (determined subsequent to balance date) ¹	13.0 cents	100%
Interim dividend – half year ended 31 December 2020	15.0 cents	100%
Final dividend – year ended 30 June 2020	8.0 cents	100%

1. The record date for determining an entitlement to receipt of the final dividend is 2 September 2021 and the Company expects to pay the dividend on 1 October 2021. 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 3 September 2021 at 5pm (AEST).

2. PRELIMINARY FINAL FINANCIAL STATEMENTS

Please refer to pages 1 through 57 of this report wherein the following are provided:

- Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2021;
- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of changes in equity for the year ended 30 June 2021;
- Consolidated statement of cash flows for the year ended 30 June 2021; and
- Notes to the consolidated financial statements.

Appendix 4E

Preliminary Final Report in respect to Treasury Wine Estates Limited

For the year ended 30 June 2021

ABN 24 004 373 862

3. NET TANGIBLE ASSET BACKING

	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Net tangible asset backing per ordinary share		
Net tangible asset backing per ordinary share	3.37	3.18

4. ASSOCIATES AND JOINT VENTURES

	Year ended 30 June 2021 \$M	Year ended 30 June 2020 \$M
Investments in Associates and Joint Ventures		
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 2021 is consistent with the prior period.

5. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 15 October 2021.

6. 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 2021

	Note	2021 \$m	Restated ¹ 2020 \$m
Revenue	3	2,683.9	2,678.2
Cost of sales		(1,659.2)	(1,588.9)
Gross profit		1,024.7	1,089.3
Selling expenses		(246.6)	(312.7)
Marketing expenses		(131.5)	(125.5)
Administration expenses		(159.8)	(166.8)
Other income/(expenses)		(55.6)	(49.7)
Profit before tax and finance costs		431.2	434.6
Finance income		33.4	54.1
Finance costs		(106.9)	(140.0)
Net finance costs		(73.5)	(85.9)
Profit before tax		357.7	348.7
Income tax expense	23	(107.7)	(103.3)
Net profit		250.0	245.4
Net profit attributable to non-controlling interests		–	–
Net profit attributable to members of Treasury Wine Estates Limited		250.0	245.4
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		10.9	(15.5)
Tax on cash flow hedges		(2.7)	3.9
Exchange gain/(loss) on translation of foreign operations		(109.0)	14.5
Other comprehensive income/(loss) for the year, net of tax		(100.8)	2.9
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited		149.2	248.3
Non-controlling interests		–	–
Total comprehensive income for the year		149.2	248.3
		Cents per share	Cents per share
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic	7	34.7	34.1
Diluted	7	34.6	34.0

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.

Consolidated statement of financial position

As at 30 June 2021

	Note	2021 \$m	Restated ¹ 2020 \$m
Current assets			
Cash and cash equivalents	9	448.1	449.1
Receivables	9	621.3	553.5
Inventories	9	839.7	1,017.4
Assets held for sale	14	140.2	74.3
Other current assets		8.0	6.0
Total current assets		2,057.3	2,100.3
Non-current assets			
Inventories	9	1,056.8	1,059.2
Property, plant and equipment	10	1,322.5	1,397.4
Right-of-use assets	11	448.4	517.0
Agricultural assets	12	33.8	34.1
Intangible assets	13	1,155.5	1,294.1
Deferred tax assets	23	183.7	193.8
Other non-current assets		26.2	48.8
Total non-current assets		4,226.9	4,544.4
Total assets		6,284.2	6,644.7
Current liabilities			
Trade and other payables	9	703.6	682.1
Current tax liabilities		21.1	22.9
Provisions	16	100.0	53.9
Borrowings	18	53.1	223.3
Other current liabilities		0.7	0.8
Total current liabilities		878.5	983.0
Non-current liabilities			
Borrowings	18	1,474.7	1,702.3
Deferred tax liabilities	23	309.6	334.3
Other non-current liabilities		30.2	29.0
Total non-current liabilities		1,814.5	2,065.6
Total liabilities		2,693.0	3,048.6
Net assets		3,591.2	3,596.1
Equity			
Contributed equity	19	3,280.7	3,269.8
Reserves	21	(88.0)	12.0
Retained earnings		394.4	310.2
Total parent entity interest		3,587.1	3,592.0
Non-controlling interests		4.1	4.1
Total equity		3,591.2	3,596.1

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.

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Contributed equity \$m	Retained earnings \$m	Foreign currency translation reserve \$m	Other reserves \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
Balance at 30 June 2019¹	3,243.8	352.6	72.1	(43.0)	3,625.5	4.1	3,629.6
Profit for the year	–	245.4	–	–	245.4	–	245.4
Total other comprehensive income/(loss)	–	–	14.5	(11.6)	2.9	–	2.9
Total comprehensive income for the year/(loss)	–	245.4	14.5	(11.6)	248.3	–	248.3
Transactions with owners in their capacity as owners directly in equity							
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)
Balance at 30 June 2020¹	3,269.8	310.2	86.6	(74.6)	3,592.0	4.1	3,596.1
Profit for the year	–	250.0	–	–	250.0	–	250.0
Total other comprehensive income/(loss)	–	–	(109.0)	8.2	(100.8)	–	(100.8)
Total comprehensive income for the year/(loss)	–	250.0	(109.0)	8.2	149.2	–	149.2
Transactions with owners in their capacity as owners directly in equity							
Share based payment expense	–	–	–	5.0	5.0	–	5.0
Vested deferred shares and share rights	3.7	–	–	(4.2)	(0.5)	–	(0.5)
Dividends to owners of the Company	7.2	(165.9)	–	–	(158.7)	–	(158.7)
Balance at 30 June 2021	3,280.7	394.4	(22.4)	(65.6)	3,587.1	4.1	3,591.2

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.

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021 \$m inflows/ (outflows)	Restated ¹ 2020 \$m inflows/ (outflows)
Cash flows from operating activities			
Receipts from customers		3,383.7	3,616.6
Payments to suppliers, governments and employees		(2,721.3)	(2,997.6)
Borrowing costs paid		(6.2)	(4.0)
Income taxes paid		(118.4)	(168.0)
Interest paid (net)		(66.1)	(80.1)
Net cash flows from operating activities	8	471.7	366.9
Cash flows from investing activities			
Payments for property, plant, and equipment		(109.9)	(136.6)
Payments for intangible assets		(11.3)	(8.0)
Payments for subsidiaries, net of cash acquired		–	(22.3)
Proceeds from sale of property, plant and equipment		61.8	100.2
Net cash flows used in investing activities		(59.4)	(66.7)
Cash flows from financing activities			
Dividend payments		(158.7)	(276.3)
Proceeds from borrowings		217.4	329.2
Repayment of borrowings		(463.2)	(300.4)
Purchase of shares – employee equity plans		0.9	(4.9)
Net cash flows used in financing activities		(403.6)	(252.4)
Total cash flows from activities		8.7	47.8
Cash and cash equivalents at the beginning of the year		449.1	401.8
Effects of exchange rate changes on foreign currency cash flows and cash balances		(9.7)	(0.5)
Cash and cash equivalents at end of the year	9	448.1	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.

Notes to the consolidated financial statements:

About this report

For the year ended 30 June 2021

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). They were authorised for issue by the Board of Directors on 19 August 2021.

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.

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 2021 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 2021

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 economic impacts. 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 F21, the Group experienced the following impacts on its operations and financial statements as a result of these factors:

- Governments continued to take 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 partially or entirely closed with re-opening occurring at different rates across individual markets.
- In-home consumption remained higher during periods of lockdown, primarily through retail and e-commerce channels.
- Consumers continued to turn to well-known and trusted brands, which drove volumes of Commercial, Premium and lower Luxury wines. Higher value Luxury wines were negatively impacted by lower consumption – driven primarily by the closure of key Luxury channels.
- In the majority of TWE's markets, governments maintained fiscal and economic stimulus packages of varying natures during at least part of the year, some of which remain in place at 30 June 2021, 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 this financial report, 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 June 2021, in all regions.
- All regions will continue a phased 're-opening' of most previously closed or partially closed channels (bars, restaurants, cellar doors) towards pre-COVID-19 levels at a progressive rate over the course of F22, however travel retail is expected to remain below pre-COVID-19 levels.
- In-home consumption, and therefore retail and e-commerce channel sales, are assumed to stay at levels generally elevated against pre-COVID-19 conditions.
- Luxury wine consumption assumed to continue to progressively return to pre-COVID-19 levels over the course of F22.
- To the extent not yet phased out, government fiscal and economic stimulus packages are maintained, 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 progressive deployment of vaccines in key markets is expected to support recovery and the assumptions applied by the Group.

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 2021

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.

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 F21 are:

A\$1 = US\$ 0.747 (F20: US\$ 0.671)
A\$1 = GB£ 0.555 (F20: GB£ 0.553)

Year-end exchange rates used in translating financial position items in F21 are:

A\$1 = US\$ 0.751 (F20: US\$ 0.687)
A\$1 = GB£ 0.543 (F20: GB£ 0.558)

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

Since the end of the financial year, the Directors approved a final 100% franked dividend of 13.0 cents per share. This dividend has not been recognised as a liability in the consolidated financial statements at 30 June 2021.

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:

About this report

For the year ended 30 June 2021

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.

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.

SGARA represents the difference between the fair value of harvested grapes (as determined under AASB 141 *Agriculture*) and the cost of harvested grapes. The fair value gain or loss is excluded from Management EBITs so that earnings can be assessed based on the cost of harvest, rather than their fair value. This approach results in a better reflection of the true nature of TWE's consumer branded and FMCG business and improved comparability with domestic and global peers. The F21 SGARA gain of \$9.4 million reflects gains from the high yielding 2021 Australian vintage and the unwinding of prior period losses, partly offset by the impact of a significant reduction in tonnage and yield from the 2020 Californian vintage which result in a loss of \$24.0 million.

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 and 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.

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 2021

NOTE 2 – SEGMENT INFORMATION (CONTINUED)

2021	ANZ \$m	Americas \$m	Asia \$m	EMEA \$m	Intersegment elimination \$m	Total segment \$m	Unallocated/ corporate \$m	Consolidated \$m
Total revenue comprises:								
Net sales revenue	602.1	988.7	565.3	413.5	–	2,569.6	–	2,569.6
Other revenue	5.7	105.7	1.3	0.6	–	113.3	1.0	114.3
Intersegment revenue	311.7	34.8	0.5	16.8	(363.8)	–	–	–
Total segment revenue (excl other income/interest)	919.5	1,129.2	567.1	430.9	(363.8)	2,682.9	1.0	2,683.9
Management EBITs	142.7	168.3	205.4	46.6	–	563.0	(52.7)	510.3
SGARA gain/(loss)	10.9	(0.5)	–	(1.0)	–	9.4	–	9.4
Material items	(17.9)	(67.6)	–	(0.8)	–	(86.3)	(2.2)	(88.5)
Management EBIT	135.7	100.2	205.4	44.8	–	486.1	(54.9)	431.2
Net finance costs								(73.5)
Consolidated profit before tax								357.7
Depreciation of property, plant and equipment and right-of-use assets	(51.1)	(70.7)	(5.2)	(3.3)	–	(130.3)	(4.1)	(134.4)
Amortisation of intangible assets	(0.4)	(2.7)	–	(1.6)	–	(4.7)	(11.6)	(16.3)
Assets held for sale	8.1	132.1	–	–	–	140.2	–	140.2
Capital expenditure (additions)	(98.7)	(13.7)	(2.4)	(4.9)	–	(119.7)	(9.4)	(129.1)
Segment assets (excl intersegment assets)	2,607.3	2,358.2	137.4	454.3	–	5,557.2	727.0	6,284.2
Segment liabilities (excl intersegment liabilities)	(363.8)	(779.1)	(77.8)	(105.5)	–	(1,326.2)	(1,366.9)	(2,693.1)

Notes to the consolidated financial statements: Earnings

For the year ended 30 June 2021

NOTE 2 – SEGMENT INFORMATION (CONTINUED)

2020 ¹	ANZ \$m	Americas \$m	Asia \$m	EMEA \$m	Intersegment elimination \$m	Total segment \$m	Unallocated/ corporate \$m	Consolidated \$m
Total revenue comprises:								
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)	–	–	–
Total segment revenue (excl other income/interest)	890.5	1,135.5	617.9	399.9	(365.8)	2,678.0	0.2	2,678.2
Management EBITs¹	130.1	136.9	241.5	49.5	–	558.0	(45.4)	512.6
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)
Management EBIT¹	60.8	130.7	241.5	49.9	–	482.9	(48.2)	434.7
Net finance costs								(85.9)
Consolidated profit before tax¹								348.8
Depreciation of property, plant and equipment and right-of-use assets	(52.6)	(79.8)	(4.5)	(3.0)	–	(139.9)	(3.8)	(143.7)
Amortisation of intangible assets¹	(0.6)	(3.6)	–	(1.6)	–	(5.8)	(13.8)	(19.6)
Assets held for sale	–	74.3	–	–	–	74.3	–	74.3
Capital expenditure (additions)¹	(90.8)	(24.4)	(1.2)	(1.4)	–	(117.8)	(10.0)	(127.8)
Segment assets (excl intersegment assets)¹	2,514.5	2,773.5	163.2	428.6	–	5,879.8	764.9	6,644.7
Segment liabilities (excl intersegment liabilities)	(348.4)	(819.0)	(68.3)	(97.7)	–	(1,333.4)	(1,715.2)	(3,048.6)

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

Notes to the consolidated financial statements: Earnings

For the year ended 30 June 2021

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	
	2021 \$m	2020 \$m
Australia	1,113.2	1,180.4
United States of America	1,000.3	1,080.3
United Kingdom	345.5	286.4
Other geographical locations ¹	110.6	102.4
Total	2,569.6	2,649.5

1. 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	
	2021 \$m	Restated ¹ 2020 \$m
Australia	2,006.5	1,854.8
United States of America	1,713.6	2,149.5
United Kingdom	146.4	145.8
Other geographical locations	154.0	157.0
Total geographical non-current assets	4,020.5	4,307.1
Other non-current assets ²	206.4	237.3
Consolidated non-current assets	4,226.9	4,544.4

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

NOTE 3 – REVENUE

	2021 \$m	2020 \$m
Revenue		
Net sales revenue ¹	2,569.6	2,649.5
Other revenue	114.3	28.7
Total revenue	2,683.9	2,678.2

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, Premium 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, wholesalers, 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.

Notes to the consolidated financial statements:

Earnings

For the year ended 30 June 2021

NOTE 3 – REVENUE (CONTINUED)

Other revenue

The Group provides contract bottling services to third parties.

In F21 other revenue includes \$14.8 million of insurance income in relation to damage caused by wildfires in the Americas – refer to note 4 for details.

In F21 other revenue also includes revenue recognised for the sale of inventory to The Wine Group as part of the exit of commercial brands in the Americas.

Sales approach

For F21, the Group had one major customer in the Americas whose revenues represented 8.7% (F20: 8.7%) of reported net sales revenue, and one major customer in Australia whose revenue represented 8.1% (F20: 7.8%) 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 and depletions.

Notes to the consolidated financial statements:

Earnings

For the year ended 30 June 2021

NOTE 4 – OTHER EARNINGS DISCLOSURES

	2021 \$m	2020 \$m
Net foreign exchange gains	1.9	0.5
Salaries and wages expense	(337.7)	(404.1)
Implementation costs of cloud computing	(6.6)	(22.1)
Share based payments expense	(5.0)	(10.9)
Items recognised as material items – refer note 5		
Restructuring and redundancy costs	(30.9)	(30.6)
(Write-down)/reversal of write-down of assets	(95.8)	(6.0)
Net profit on sale of property, plant and equipment	38.2	–
Other items		
Restructuring and redundancy costs	(1.9)	(10.1)
(Write-down)/reversal of write-down of assets	(54.1)	(10.0)
Insurance income	62.4	–
Net profit on sale of property, plant and equipment	1.4	42.4
Total other gains and losses	(80.7)	(14.3)

In F21 a winery and vineyards were damaged by wildfires in the Americas. The Group's insurance policies provide coverage for damaged assets, lost profits and business interruption suffered as a result of the wildfires. The final claim is expected to be settled in F22. The following amounts have been recognised in F21 in relation to the matter:

Item	Description	Statement of Comprehensive Income		Statement of financial position		Statement of Cash Flows	
Insurance income	Income recognised under the terms of the Group's insurance policies for reimbursement of the cost to replace or repair damaged assets, business interruption and lost profits.	\$14.8m	Other revenue	\$42.1m	Other receivables	\$20.3m	Receipts from customers
		\$47.6m	Other income/(expenses)				
Write down of damaged assets	The cost of inventory and property, plant and equipment damaged.	(\$8.1m)	Cost of sales	–	–	–	–
Repair costs for damages assets	Estimated costs to repair damaged leased assets.	(\$46.0m)	Other income/(expenses)	(\$35.9m)	Provisions	(\$10.1m)	Payments to suppliers, governments and employees

In F21 TWE received \$0.3 million in automatic government support payments in Asia (F20: \$0.5 million), 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.

Notes to the consolidated financial statements:

Earnings

For the year ended 30 June 2021

NOTE 5 – MATERIAL ITEMS

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

	2021 \$m	2020 \$m
Individually material items included in profit before income tax:		
<i>Divestment of US brands and assets</i>		
Restructuring and redundancy (costs)	(11.3)	–
(Write-down)/reversal of write-down of intangible assets	(64.3)	–
(Write-down)/reversal of write-down of assets held for sale	(6.6)	–
(Write-down)/reversal of inventory	(11.0)	–
(Write-down)/reversal of leased assets	(7.3)	–
Net profit on sale of property, plant and equipment	38.2	–
<i>South Australian luxury winery expansion</i>		
Restructuring and redundancy (costs)	(1.2)	(19.3)
(Write-down)/reversal of write-down of assets	(6.6)	(6.0)
<i>Overhead and supply chain restructure</i>		
Restructuring and redundancy (costs)	(18.4)	(11.3)
Total material items (before tax)	(88.5)	(36.6)
Tax effect of material items	22.4	10.4
Total material items (after tax)	(66.1)	(26.2)

In F21, material items reflect the restructure and review of commercial operations and assets in the Americas, the costs pertaining to the long-term investment in Luxury winemaking infrastructure in South Australia, and costs relating to the Group's overhead and supply chain restructure.

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.

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 2021

NOTE 6 – DIVIDENDS

	2021 \$m	2020 \$m
Dividends declared and paid on ordinary shares		
Final dividend for F20 of 8.0 cents per share 100% franked (F19: 20.0 cents per share – 100% franked) ^A	57.7	143.8
Interim dividend for F21 of 15.0 cents per share 100% franked (F20: 20.0 cents per share – 100% franked) ^B	108.2	144.0
	165.9	287.8
Dividends approved after balance date		
Since the end of the financial year, the Directors approved a final dividend of 13.0 cents per share (F20: 8.0 cents) 100% franked (F20: 100% franked). This dividend has not been recognised as a liability in the consolidated financial statements at year-end.	93.8	57.7

A The F20 final dividend includes an amount of \$2.6 million (F19 final dividend: \$3.7 million) for shares issued under the Dividend Reinvestment Plan.

B The F21 interim dividend includes an amount of \$4.6 million (F20 interim dividend: \$7.8 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

	2021 cents per share	Restated ¹ 2020 cents per share
Basic EPS		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	34.7	34.1
Diluted EPS		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	34.6	34.0
	Number	Number
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	721,406	719,893
Effect of potentially dilutive securities		
Deferred shares (in thousands)	1,947	1,460
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	723,353	721,353
Earnings reconciliation		
Basic and diluted EPS	\$m	\$m
Net profit	250.0	245.4
Net profit attributable to non-controlling interests	–	–
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	250.0	245.4

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 2021

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

	2021 \$m	Restated ¹ 2020 \$m
Reconciliation of net cash flows from operating activities to profit after income tax		
Profit for the year	250.0	245.4
Depreciation and amortisation	150.7	163.3
SGARA (gain)/loss	(9.4)	41.3
Write-down/(reversal of write-down) of assets	92.9	16.0
Net profit on disposal of non-current assets	(39.6)	(42.4)
Share based payments expense	5.0	10.9
Other	(2.4)	(2.9)
Net cash provided by operating activities before change in assets and liabilities	447.2	431.6
Change in working capital and tax balances, net of effects from acquisition/disposal of controlled entities		
Receivables	4.8	69.7
Inventories	(22.7)	(38.0)
Derivative financial assets/liabilities	4.5	(0.4)
Payables	9.2	(42.4)
Net tax balances	(10.7)	(64.7)
Provisions	39.4	11.1
Net cash flows from operating activities	471.7	366.9

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

Notes to the consolidated financial statements:

Working capital

For the year ended 30 June 2021

NOTE 9 – WORKING CAPITAL

	2021 \$m	2020 \$m
Current		
Cash and cash equivalents	448.1	449.1
Receivables (a)	621.3	553.5
Inventories (b)	839.7	1,017.4
Trade and other payables	(703.6)	(682.1)
Total current	1,205.5	1,337.9
Non-current		
Inventories (b)	1,056.8	1,059.2
Total non-current	1,056.8	1,059.2

(a) Receivables

	2021 \$m	2020 \$m
Current		
Trade receivables	487.1	478.2
Allowance for expected credit loss	(9.5)	(9.6)
Other receivables	107.4	45.2
Prepayments	36.3	39.7
Total current receivables	621.3	553.5

(b) Inventories

	2021 \$m	2020 \$m
Current		
Raw materials and stores	48.1	66.6
Work in progress	348.9	459.3
Finished goods	442.7	491.5
Total current inventories	839.7	1,017.4
Non-current		
Work in progress	747.6	744.1
Finished goods	309.2	315.1
Total non-current inventories	1,056.8	1,059.2
Total inventories	1,896.5	2,076.6

Other receivables include \$42.1 million receivable under the Group's insurance policies in connection with a winery and vineyards that were damaged by wildfires in the Americas in F21. Refer to note 4 for further details.

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 \$1,397.5 million (F20: \$1,511.7 million). In F21, the write-down of inventories to net realisable value amounted to \$63.7 million (F20: \$21.0 million). Of this amount \$11.0 million was recognised in material items relating to the divestment of US brands and assets – refer note 5. A further \$5.6 million relates to inventory written off as a result of damage caused by wildfires in the Americas, the value of which has been recovered under the Group's insurance policies.

Reversals of write-downs amounted to \$1.0 million (F20: \$1.2 million). These amounts are included in cost of sales.

Notes to the consolidated financial statements:

Working capital

For the year ended 30 June 2021

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 \$1,056.8 million (F20: \$1,059.2 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 2021

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	Land		Freehold buildings		Leasehold buildings		Plant and equipment		Total	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Cost	347.2	381.6	483.3	509.9	39.6	44.4	1,709.7	1,803.9	2,579.8	2,739.8
Projects in Progress	–	–	–	–	–	–	163.1	128.2	163.1	128.2
Accumulated depreciation and impairment	(41.6)	(41.7)	(222.7)	(256.6)	(23.8)	(23.7)	(1,132.3)	(1,148.6)	(1,420.4)	(1,470.6)
Carrying amount at end of year	305.6	339.9	260.6	253.3	15.8	20.7	740.5	783.5	1,322.5	1,397.4
Reconciliations										
Carrying amount at start of year	339.9	341.9	253.3	250.4	20.7	22.3	783.5	755.3	1,397.4	1,369.9
Additions	–	3.3	34.1	7.0	2.0	0.7	81.7	108.8	117.8	119.8
Business acquisition	–	9.7	–	3.1	–	–	–	4.0	–	16.8
(Transfer to)/from Assets held for sale	(20.7)	(15.9)	(8.3)	(0.2)	–	–	(20.2)	(3.0)	(49.2)	(19.1)
(Transfer to)/from other asset classes	–	6.4	–	–	–	–	–	(6.4)	–	–
Disposals	(0.5)	(9.0)	–	(0.3)	–	–	(1.8)	(6.2)	(2.3)	(15.5)
(Write-downs)/write-downs reversal	(0.1)	(0.1)	(0.4)	(1.4)	(2.8)	–	(4.5)	(4.5)	(7.8)	(6.0)
Depreciation expense	–	–	(7.9)	(8.7)	(2.3)	(2.6)	(67.2)	(70.4)	(77.4)	(81.7)
Foreign currency translation	(13.0)	3.6	(10.2)	3.4	(1.8)	0.3	(31.0)	5.9	(56.0)	13.2
Carrying amount at end of year	305.6	339.9	260.6	253.3	15.8	20.7	740.5	783.5	1,322.5	1,397.4

Included within plant and equipment are 'Projects in Progress' of \$163.1 million (F20: \$128.2 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 \$7.8 million write-downs (F20: \$6.0 million write-downs) for property, plant and equipment during the year.

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.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 30 June 2021

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Vineyard resources

	2021 hectares	2020 hectares
Australia	8,762	8,676
United States	3,200	3,213
New Zealand	498	498
Italy	166	138
France	60	60
	12,686	12,585

The area under vine shown above:

- Includes 3,111 hectares (F20: 3,263 hectares) under direct leasing arrangements and 10 hectares (F20: 10 hectares) of olive groves in Tuscany, a region of Italy.
- Yielded 110,701 tonnes of grapes (F20: 76,881 tonnes).

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

NOTE 11 – RIGHT-OF-USE ASSETS

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	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Cost	461.3	498.2	245.7	249.0	36.7	45.1	743.7	792.3
Accumulated depreciation and impairment	(183.0)	(173.9)	(90.4)	(75.8)	(21.9)	(25.6)	(295.3)	(275.3)
Carrying amount at end of year	278.3	324.3	155.3	173.2	14.8	19.5	448.4	517.0

Reconciliations

Carrying amount at start of year	324.3	336.1	173.2	179.0	19.5	20.8	517.0	535.9
Additions	5.8	11.2	24.6	29.4	5.1	8.6	35.5	49.2
Disposals	–	–	(12.9)	(7.6)	–	–	(12.9)	(7.6)
Depreciation and impairment expense	(26.1)	(28.6)	(22.5)	(30.9)	(8.4)	(10.1)	(57.0)	(69.6)
Foreign currency translation	(25.7)	5.6	(7.1)	3.3	(1.4)	0.2	(34.2)	9.1
Carrying amount at end of year	278.3	324.3	155.3	173.2	14.8	19.5	448.4	517.0

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 30 June 2021

NOTE 11 – RIGHT-OF-USE ASSETS (CONTINUED)

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

	2021 \$m	2020 \$m
Expenses relating to variable lease payments not included in lease liabilities	155.5	135.0
Interest expense on lease liabilities	34.4	39.7
Expenses relating to low-value leases, excluding short-term leases of low-value items	36.6	31.0
Expenses relating to short-term leases	0.1	0.2

(c) Amounts recognised in statement of cash flows

	2021 \$m	2020 \$m
Total cash out flow for lease liabilities	87.2	95.1

(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 \$798.8 million (F20: \$811.0 million).

(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.

Notes to the consolidated financial statements:

Operating assets and liabilities

For the year ended 30 June 2021

NOTE 11 – RIGHT-OF-USE ASSETS (CONTINUED)

Accounting policies (continued)

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.

Key estimates and judgements:

Right-of-use assets

The Group has 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.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 30 June 2021

NOTE 12 – AGRICULTURAL ASSETS

	2021 \$m	2020 \$m
Agricultural assets	33.8	34.1
Total agricultural assets	33.8	34.1
Reconciliations		
Carrying amount at start of year	34.1	29.4
Fair value increase	36.0	34.1
Transfers to inventory	(34.1)	(29.9)
Foreign currency translation	(2.2)	0.5
Carrying amount at end of year	33.8	34.1

Grape growing and sourcing

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

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

The Group'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;
- The estimated harvest costs;
- Market prices for grapes; or
- The quality of grapes, including the impacts on harvested grapes of weather, agricultural practices and location of the vineyard.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 30 June 2021

NOTE 13 – INTANGIBLE ASSETS

	Brand names and licences		IT development costs		Goodwill		Total	
	2021 \$m	2020 \$m	2021 \$m	Restated ¹ 2020 \$m	2021 \$m	2020 \$m	2021 \$m	Restated ¹ 2020 \$m
Cost	1,368.5	1,462.1	117.2	104.9	898.3	903.8	2,384.0	2,470.8
Projects in progress at cost	–	–	20.8	25.2	–	–	20.8	25.2
Accumulated amortisation and impairment	(543.2)	(509.7)	(85.3)	(71.7)	(620.8)	(620.5)	(1,249.3)	(1,201.9)
Carrying amount at end of year	825.3	952.4	52.7	58.4	277.5	283.3	1,155.5	1,294.1

Reconciliations

Carrying amount at start of year ¹	952.4	947.1	58.4	66.0	283.3	279.1	1,294.1	1,292.2
Additions	0.5	–	10.8	8.0	–	–	11.3	8.0
Business acquisitions	–	–	–	–	–	3.8	–	3.8
(Transfers to)/from assets held for sale	(21.5)	–	–	–	–	–	(21.5)	–
Amortisation and impairment expense	(65.8)	(3.5)	(15.1)	(16.1)	–	–	(80.9)	(19.6)
Foreign currency translation	(40.3)	8.8	(1.4)	0.5	(5.8)	0.4	(47.5)	9.7
Carrying amount at end of year	825.3	952.4	52.7	58.4	277.5	283.3	1,155.5	1,294.1

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 (other than IT development costs) is as follows:

	ANZ		Americas		Europe		Total	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Goodwill								
Carrying amount at start of year	180.6	181.5	78.0	76.9	24.7	20.7	283.3	279.1
Business acquisitions	–	–	–	–	–	3.8	–	3.8
Foreign currency translation	(0.2)	(0.9)	(6.1)	1.2	0.5	0.1	(5.8)	0.4
Carrying amount at end of year	180.4	180.6	71.9	78.1	25.2	24.6	277.5	283.3
Brand names and licences								
Carrying amount at start of year	479.2	480.8	469.8	462.9	3.4	3.4	952.4	947.1
Additions	0.5	–	–	–	–	–	0.5	–
Amortisation and impairment expense	(1.5)	(1.5)	(64.3)	(2.0)	–	–	(65.8)	(3.5)
(Transfers to)/from assets held for sale	–	–	(21.5)	–	–	–	(21.5)	–
Foreign currency translation	–	(0.1)	(40.2)	8.9	(0.1)	–	(40.3)	8.8
Carrying amount at end of year	478.2	479.2	343.8	469.8	3.3	3.4	825.3	952.4

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

Notes to the consolidated financial statements:

Operating assets and liabilities

For the year ended 30 June 2021

NOTE 13 – INTANGIBLE ASSETS (CONTINUED)

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.

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

Other than in relation to Software-as-a-Service (SaaS) arrangement, 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.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. The following outlines the accounting treatment of implementation costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract	<ul style="list-style-type: none">• Fee for use of application software• Customisation costs only when 'not distinct' and undertaken by SaaS vendor
Recognise as an operating expense as the service is received	<ul style="list-style-type: none">• Configuration costs• Data conversion and testing• Testing costs• Training costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible IT assets.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 30 June 2021

NOTE 14 – ASSETS AND DISPOSAL GROUPS HELD FOR SALE

	2021 \$m	2020 \$m
Assets and disposal groups held for sale	140.2	74.3
Total assets and disposal groups classified as held for sale	140.2	74.3

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 number of surplus assets in America and ANZ, including vineyards and wine making facilities, related property, plant and equipment, inventory and intangible assets. Accordingly, the vineyards and facilities have been presented as disposal groups held for sale.

Impairment losses relating to the disposal group

Impairment losses of \$6.6 million (F20: Nil) 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:

Operating assets and liabilities

For the year ended 30 June 2021

NOTE 15 – IMPAIRMENT OF NON-FINANCIAL ASSETS

In F21 the recoverable amounts of cash generating units (CGUs) exceed their carrying values and as a result no impairment has been recognised (F20: Nil). There were no indications that previously recognised impairment losses should be reversed (F20: Nil). The recoverable amount was determined through a value in use calculation. The write down of assets disclosed in note 4 relate to assets for which their valuation was tested independently of the CGUs in accordance with other accounting policies.

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:

Operating assets and liabilities

For the year ended 30 June 2021

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 2021. 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 2021 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% (F20: 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:

	2021	2020
Americas	9.6%	9.4%
Europe	8.4%	9.5%
ANZ	10.4%	11.0%

Exchange rates

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

Sensitivity analysis

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

Based on current economic conditions and CGU performance, 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 2021

NOTE 16 – PROVISIONS

			2021 \$m	2020 \$m
Current				
Employee entitlements			51.2	42.7
Other			48.8	11.2
Total current provisions			100.0	53.9
Other provisions	Onerous contracts \$m	Restructuring \$m	Other \$m	Total \$m
2021				
Carrying amount at start of year	3.6	7.0	0.6	11.2
Charged/(credited) to profit or loss	–	11.1	37.1	48.2
Payments	(1.4)	(7.8)	–	(9.2)
Foreign currency translation	(0.4)	–	(1.0)	(1.4)
Carrying amount at end of year	1.8	10.3	36.7	48.8

Other provisions include \$35.9 million in relation to estimated repair costs for a winery and vineyards that were damaged by wildfires in the Americas. Refer to note 4 for further details.

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).

Notes to the consolidated financial statements:

Capital structure

For the year ended 30 June 2021

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

	2021 \$m	2020 \$m
Total borrowings consist of:		
Current	53.1	223.3
Non-current	1,474.7	1,702.3
Total borrowings	1,527.8	1,925.6

Details of major arrangements

US Private Placement Notes and Debt Facilities

US Private Placement (USPP) notes totalling US\$325.0 million (unsecured) are outstanding, with maturities ranging from December 2023 to June 2029. The carrying value of USPP notes at 30 June 2021 is \$432.7 million (F20: \$581.9 million).

During the year a US\$200 million of syndicated debt facility originally maturing in October 2021 was cancelled. Syndicated debt facilities now total US\$350 million with US\$120 million maturing November 2023 and US\$230 million maturing in November 2027. At 30 June 2021 syndicated facilities of US\$350m are drawn against the November 2023 and 2027 tranches. The carrying value of the syndicated debt facility at 30 June 2021 is \$466.0 million (F20: \$509.2 million).

The Group has in place several revolving bank debt facilities with maturities staggered through to June 2025. As at 30 June 2021 there are no amounts drawn under the revolving bank debt facilities (F20: \$100.0 million).

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.

Financial guarantees

The Group has issued financial guarantees to other persons of \$23.5 million (F20: \$23.4 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 2021, the Group recognised current lease liabilities of \$54.8 million (30 June 2020: \$56.1 million) and non-current lease liabilities of \$557.8 million (30 June 2020: \$642.5 million). The Group's lease arrangements have durations up to 25 years.

Notes to the consolidated financial statements:

Capital structure

For the year ended 30 June 2021

NOTE 18 – BORROWINGS (CONTINUED)

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 2021, nil receivables had been derecognised under this arrangement (F20: \$26.8 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.

All balances translated to AUD	2020 \$m	Total cash flows from activities \$m	Additions to net debt \$m	Debt revaluation and FX movements \$m	2021 \$m
Net debt					
Cash and cash equivalents	449.1	8.7	–	(9.7)	448.1
Loan receivable	0.6	(0.1)	–	0.1	0.6
Bank loans ¹	(602.6)	88.8	–	53.5	(460.4)
US Private Placement Notes (net of fair value hedge)	(581.9)	99.2	–	50.0	(432.7)
Lease liabilities	(698.6)	57.9	(18.7)	46.8	(612.6)
Other loan payable	(0.8)	0.1	–	–	(0.7)
Net debt	(1,434.2)	254.5	(18.7)	140.7	(1,057.7)

1. Loans are stated net of capitalised facility finance costs. At reporting date, the balance of bank loans is \$466.0 million (F20: \$609.2 million) against capitalised facility finance costs of \$5.6 million (F20: \$6.6 million) to be amortised over the facility period.

NOTE 19 – CONTRIBUTED EQUITY

	2021 \$m	2020 \$m
Issued and paid-up capital		
721,848,176 (F20: 720,800,351) ordinary shares, fully paid	3,280.7	3,269.8
Own shares held	–	–
	3,280.7	3,269.8
Contributed equity at the beginning of the period	3,269.8	3,243.8
Shares movements:		
699,506 shares issued under the Dividend reinvestment plan (F20: 1,055,717)	7.2	11.5
348,319 shares issued for vested Long Term Incentive Plan and Share Cellar plan (F20: 644,149)	3.7	11.0
Net movement in own shares held	–	3.5
Contributed equity at the end of the period	3,280.7	3,269.8

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.

Notes to the consolidated financial statements:

Capital structure

For the year ended 30 June 2021

NOTE 19 – CONTRIBUTED EQUITY (CONTINUED)

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 2021.

During the period, the Group purchased 0.3 million shares (\$2.8 million) under the third-party arrangement (F20: 0.3 million shares (\$4.9 million)). A total of 0.1 million shares (F20: 0.2 million) purchased under the third-party arrangement are available at 30 June 2021. Nil treasury shares (F20: Nil) are available at 30 June 2021.

NOTE 20 – COMMITMENTS

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

	2021 \$m	2020 \$m
Capital expenditure and other commitments		
The following expenditure has been contracted but not provided for in the financial statements:		
Capital expenditure	37.2	45.5

NOTE 21 – RESERVES

	2021 \$m	2020 \$m
Cash flow hedge reserve	(11.8)	(20.0)
Share based payments reserve	(53.8)	(54.6)
Foreign currency translation reserve	(22.4)	86.6
Total reserves	(88.0)	12.0

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.

Notes to the consolidated financial statements:

Capital structure

For the year ended 30 June 2021

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	192,587	309,352	1,121,224	126,496	208,569
Granted during the year	–	673,068	931,679	359,041	181,531
Exercised during the year	(126,727)	(110,426)	–	(80,161)	(56,016)
Forfeited during the year	–	(160,481)	(755,119)	(56,336)	(23,491)
Outstanding at the end of the year	65,860	711,513	1,297,784	349,040	310,593
<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.

The F19 – F21 performance rights are subject to TSR and ROCE targets weighted of 25% for TSR and 75% for ROCE over a performance period of 3 years. The TSR and ROCE measures for the F19 plan were not met in F21 resulting in Nil vesting.

Mid-term Incentive Plan (MTIP)

The Group awarded an MTIP grant in F20 and F21. 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 F20 and F21 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 F20 MTIP Plan was not met in F21 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 2020 and 2021 plans, 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.

Notes to the consolidated financial statements:

Capital structure

For the year ended 30 June 2021

NOTE 22 – EMPLOYEE EQUITY PLANS (CONTINUED)

Accounting policies

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

The fair value of shares granted is determined by reference to observed market values. The fair value of the TSR component of performance rights is independently determined at grant date by an external valuer using a Monte-Carlo simulation. For the non-market components (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.

Active share-based payment plans:

Long-term Incentive Plans

The below table outlines the F21 and F20 LTIP plans which have a vesting date post 30 June 2021:

Grant date	F21 Plan 23-Nov-20	F20 Plan 11-Nov-19
Grant date share price	\$10.01	\$18.14
Expected share price volatility (%)	41.0	29.0
Expected dividend yield (%)	2.1	2.4
Risk-free interest rate (%)	0.10	0.87
Fair value estimate at grant date – TSR	\$4.78	\$11.77
Fair value estimate at grant date – ROCE	\$9.48	\$17.03

Mid-term Incentive Plans

The below table outlines the F21 and F20 MTIP plans which have a vesting date post 30 June 2021:

Grant date	F21 Plan 23-Nov-20	F20 Plan 11-Nov-19
Grant date share price	\$10.01	\$18.14
Expected dividend yield (%)	2.1	2.4
Fair value estimate at grant date – ROCE	\$9.68	\$17.44
Fair value estimate time-based – Vesting F21: 2021 (F20: 2020)	\$9.85	\$17.79
Fair value estimate time-based – Vesting F21: 2022 (F20: 2021)	\$9.65	\$17.37

Restricted Equity Plans

Grant date	Grant date share price
F19 12-Nov-18	\$15.56
F20 11-Nov-19	\$18.14
F21 23-Nov-20	\$10.01

Notes to the consolidated financial statements:

Taxation

For the year ended 30 June 2021

NOTE 23 – INCOME TAX

	2021 \$m	Restated ¹ 2020 \$m
The major components of income tax expense are:		
Statement of profit or loss		
Current income tax expense	109.1	99.3
Deferred income tax expense	(1.4)	4.0
Total tax expense	107.7	103.3
Deferred income tax expense included in the income tax expense comprises:		
Decrease in deferred tax assets	0.1	5.6
(Decrease)/increase in deferred tax liabilities	(1.5)	(1.6)
Deferred income tax	(1.4)	4.0
Tax reconciliation		
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	446.2	385.3
Material items before tax	(88.5)	(36.6)
Profit before tax	357.7	348.7
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (F20: 30%)	107.3	104.6
Tax effect of:		
Non-taxable income and profits, net of non-deductible expenditure	(3.0)	2.9
Other deductible items	(0.3)	(5.8)
Change in tax rate	6.2	(0.7)
Foreign tax rate differential	(2.0)	(4.6)
Other	3.1	5.7
Under/(over) provisions in previous years	(3.6)	1.2
Total tax expense	107.7	103.3
Income tax expense on operations	130.1	113.7
Income tax benefit attributable to material items	(22.4)	(10.4)
Income tax expense	107.7	103.3
Deferred income tax relates to the following:		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Inventory	–	15.1
Property, plant and equipment (including vines)	11.0	13.9
Right-of-use assets and lease liabilities	38.8	42.3
Accruals	22.3	17.6
Provisions	27.3	18.3
Deferred interest	–	4.5
Foreign exchange	–	8.8
Tax losses	67.9	61.6
Other	16.4	11.7
Total deferred tax assets	183.7	193.8

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

Notes to the consolidated financial statements:

Taxation

For the year ended 30 June 2021

NOTE 23 – INCOME TAX (CONTINUED)

	2021 \$m	Restated ¹ 2020 \$m
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Inventory	23.6	14.4
Property, plant and equipment (including vines)	58.8	74.9
Intangibles	224.0	241.3
Other	3.2	3.7
Total deferred tax liabilities	309.6	334.3
Movements in deferred income tax relate to the following:		
Movement in deferred tax assets:		
Opening balance	193.8	191.8
(Charged) to profit or loss	(0.1)	(5.6)
Recognised directly in Equity	(2.7)	4.7
Balance sheet reclassification	(1.8)	(1.8)
Foreign currency translation	(11.9)	2.6
Other	6.4	2.1
Closing balance	183.7	193.8
Movement in deferred tax liabilities:		
Opening balance	334.3	334.7
(Credited)/charged to profit or loss	(1.5)	(1.6)
Recognised directly in Equity	–	0.8
Business acquisitions	–	1.2
Transfer (to)/from Assets Held for Sale	(5.5)	(4.4)
Foreign currency translation	(15.9)	3.1
Balance sheet reclassification	(1.8)	(1.8)
Reclassification	–	2.3
Closing balance	309.6	334.3
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	(2.7)	3.9

Unrecognised tax assets

There are potential future income tax benefits relating to accumulated losses in non-Australian group companies, which have not been brought to account. These possible benefits amount to \$39.2 million (F20: \$38.1 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 \$119.7 million (F20: \$86.7 million) of franking credits available for subsequent reporting periods.

UK corporation tax rate

On 3 March 2021, the UK Government announced that from 1 April 2023, the Corporation Tax main rate for non-ring fenced profits will be increased to 25% applying to profits over £250,000. The change was introduced in Finance Bill 2021 which was published on 11 March 2021. Following the substantive enactment of Finance Bill 2021, the Group remeasured the deferred tax assets and liabilities of its UK operations using the new tax rate and recognised a one-off charge of \$6.2 million.

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

Notes to the consolidated financial statements:

Taxation

For the year ended 30 June 2021

NOTE 23 – INCOME TAX (CONTINUED)

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.

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 2021

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	X	X	X	X
Receivables	9		X	X	X
Other financial assets	9			X	X
Payables	9	X		X	
Derivative financial assets and liabilities	25, 32		X	X	X

(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:

	2021 \$m	2020 \$m
Committed facilities		
Available facilities	1,692.7	2,111.3
Amounts utilised	(898.7)	(1,191.1)
Amount unutilised	794.0	920.2

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

Notes to the consolidated financial statements:

Risk

For the year ended 30 June 2021

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 and 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		
2021							
Non-derivative financial liabilities							
Bank loans ¹	3.7	3.8	8.4	184.8	319.6	520.3	460.4
Lease liabilities	38.1	43.3	84.3	234.6	413.1	813.4	612.6
Other loans	–	–	0.6	–	–	0.6	0.6
US Private Placement Notes	9.9	9.3	18.5	269.0	233.2	539.9	432.7
Trade Payables	322.1	–	–	–	–	322.1	322.1
Other Payables	381.5	–	–	–	–	381.5	381.5
Derivative financial liabilities							
Foreign exchange contracts	0.1	0.1	0.4	–	–	0.6	0.6
Interest rate and cross currency swaps	6.5	7.3	13.5	31.8	5.6	64.7	25.0
Total financial liabilities	761.9	63.8	125.7	720.2	971.5	2,643.1	2,235.5
2020							
Non-derivative financial liabilities							
Bank loans ¹	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
Derivative financial liabilities							
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
Total financial liabilities	962.1	67.6	133.0	684.6	1,181.0	3,028.3	2,592.1

1. Loans are stated net of capitalised facility finance costs. At reporting date, the balance of bank loans is \$466.0 million (F20: 609.2 million) against capitalised facility finance costs of \$5.6 million (F20: \$6.6 million) to be amortised over the facility period.

(b) Interest rate risk

Nature of the risk

The Group is exposed to interest rate risk principally from floating rate bank borrowings. 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 have been exchanged to obtain the desired ratio of fixed and floating interest rates. At 30 June 2021, interest rate swap contracts were in use to exchange fixed interest rates to floating rates on \$332.9 million (US\$250.0 million) of US Private Placement notes. A combination of floating to fixed interest rate swaps and fixed interest rate caps have been used to exchange the floating rates to fixed on all US Private Placement notes (US\$325 million). 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. Please refer note 24(a) for the profile and timing of cash flows over the next five years.

Notes to the consolidated financial statements:

Risk

For the year ended 30 June 2021

NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk (continued)

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

	2021 \$m	2020 \$m
Financial assets		
Cash and cash equivalents	448.1	449.1
Total assets	448.1	449.1
Financial liabilities		
US Private Placement Notes ¹	–	43.6
Bank loans ¹	199.7	318.2
Total liabilities	199.7	361.8

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 0.20% (F20: 0.37%) with all other variables held constant.

Currency	Sensitivity		Pre-tax impact on profit			
	2021	2020	2021		2020	
			+\$m	-\$m	+\$m	-\$m
USD	+ / – 25bp	+ / – 25bp	(0.1)	0.1	(0.2)	0.2
AUD	+ / – 25bp	+ / – 25bp	0.6	(0.6)	0.2	(0.2)
GBP	+ / – 25bp	+ / – 25bp	0.1	(0.1)	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.

(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 2021 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.

Notes to the consolidated financial statements:

Risk

For the year ended 30 June 2021

NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign exchange risk (continued)

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

Open foreign currency hedges at 30 June 2021

Currency	Hedge type	Hedge value (notional AUD) \$m	Average hedge rate
AUD/USD	Forwards	20.8	0.7566
	Options	210.2	0.7614
	Total	231.0	
AUD/GBP	Forwards	10.5	0.5371
	Options	82.6	0.5707
	Total	93.1	

Level of exposure at balance date

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

	AUD \$m	USD \$m	GBP \$m	Other \$m	Total \$m
All balances translated to AUD					
2021					
Net debt					
Cash and cash equivalents	220.4	151.6	18.7	57.4	448.1
Loan receivable	0.6	–	–	–	0.6
Bank loans ²	1.7	(462.1)	–	–	(460.4)
US Private Placement Notes (net of fair value hedge)	–	(432.7)	–	–	(432.7)
Lease liabilities	(97.9)	(492.4)	(2.1)	(20.2)	(612.6)
Other loan payable	(0.7)	–	–	–	(0.7)
Net debt	124.1	(1,235.6)	16.6	37.2	(1,057.7)
Other financial assets/(liabilities)					
Trade receivables (net of allowance for expected credit loss)	202.7	128.7	95.5	50.7	477.6
Other receivables	4.2	59.7	–	3.5	67.4
Trade and other payables	(320.9)	(244.5)	(55.7)	(82.5)	(703.6)
Net other assets/(liabilities)	(114.0)	(56.1)	39.8	(28.3)	(158.6)
2020					
Net debt					
Cash and cash equivalents	160.4	186.1	58.4	44.2	449.1
Loan receivable	0.6	–	–	–	0.6
Bank loans ²	(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)
Net debt	(43.6)	(1,468.4)	58.0	19.8	(1,434.2)
Other financial assets/(liabilities)					
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)
Net other assets/(liabilities)	(72.2)	(110.4)	13.5	0.8	(168.3)

2. Includes capitalised borrowing costs of \$5.7 million (F20: \$6.6 million).

Notes to the consolidated financial statements:

Risk

For the year ended 30 June 2021

NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign Exchange risk (continued)

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:

Currency	Sensitivity assumption ³		Pre-tax impact on profit \$m				Impact on equity \$m			
	2021	2020	2021		2020		2021		2020	
			+	-	+	-	+	-	+	-
United States Dollar	9.0%	10.9%	(0.2)	0.2	(0.9)	1.1	(61.0)	82.2	(78.0)	103.1
Great Britain Pound	7.4%	9.8%	0.1	(0.1)	(0.4)	0.5	(17.0)	21.1	(22.0)	29.1
Euro	7.2%	9.4%	0.2	(0.2)	0.9	(1.1)	(3.7)	4.5	(7.3)	8.9
Canadian Dollar	6.7%	8.6%	(1.5)	1.7	(1.4)	1.6	1.5	(1.7)	1.3	(1.5)
New Zealand Dollar	4.9%	5.8%	-	-	(0.1)	0.1	(8.1)	9.0	(8.1)	9.1

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

(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 F21 the Group, as part of its normal monitoring of the credit quality of trade receivables, continued 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 F21 as a result of COVID-19.

Level of exposure at balance date

The maximum counterparty credit risk exposure at 30 June 2021 in respect of derivative financial instruments was \$4.5 million (F20: \$13.9 million) and in respect of cash and cash equivalents was \$125.0 million (F20: \$109.6 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 Poors 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.

Notes to the consolidated financial statements:

Risk

For the year ended 30 June 2021

NOTE 24 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit risk (continued)

The ageing of the consolidated Group trade receivables (net of provisions) is outlined below:

	2021 \$m	2020 \$m
Not past due	459.5	396.4
Past due 1–30 days	10.9	20.9
Past due 31–60 days	1.8	18.2
Past due 61 days+	5.4	33.1
Total	477.6	468.6

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.

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS

At reporting date, there were \$754.2 million (Australian dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (F20: \$506.5 million), interest rate swaps of \$665.7 million (F20: \$654.7 million) and cross currency interest rate swaps of \$159.8 million (F20: \$174.6 million) and interest rate collars of \$146.5 million (F20: \$218.2 million). 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 \$492.8 million (F20: \$679.3 million) and the fair value of the syndicated debt facility is \$500.0 million (F20: \$530.3 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 2021

NOTE 27 – SUBSIDIARIES

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

Entity name	Country of incorporation
Equity holding of 100% (F20: 100%)	
Aldershot Nominees Pty. Ltd.*	Australia
B Seppelt & Sons Limited*	Australia
Beringer Blass Distribution S.R.L.	Italy
Beringer Blass Italia S.R.L.	Italy
Beringer Blass Wine Estates Chile Limitada	Chile
Beringer Blass Wine Estates Limited	UK
Beringer Blass Wines Pty. Ltd.*	Australia
Bilyara Vineyards Pty. Ltd.*	Australia
Cellarmaster Wines (UK) Limited	UK
Cellarmaster Wines Holdings (UK) Limited	UK
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
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 Australia Pty Ltd (formerly known as Treasury Logistics Pty Ltd)*	Australia
Penfolds Wines International Limited (formerly known as Coldstream Australasia Limited)*	Australia
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	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 Pty. Ltd.*	Australia
Southcorp XUK Limited	UK
T'Gallant Winemakers Pty. Ltd.	Australia
The Rothbury Estate Pty. Ltd.*	Australia
Tolley Scott & Tolley Limited*	Australia
Treasury Americas Inc	USA

Notes to the consolidated financial statements: Group composition

For the year ended 30 June 2021

NOTE 27 – SUBSIDIARIES (CONTINUED)

Entity name	Country of incorporation
Treasury Chateau & Estates LLC	USA
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 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.

Entity name	Country of incorporation	% of holding	
		2021	2020
Equity holding of less than 100%			
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 2021

NOTE 28 – PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2021 \$m	2020 \$m
Balance sheet		
Current assets	846.4	841.4
Total assets	8,953.3	8,948.2
Current liabilities	5,453.0	5,293.7
Total liabilities	5,453.0	5,293.7
Net assets	3,500.3	3,654.5
Shareholders' equity		
Issued capital	3,280.7	3,269.8
Share based payments reserve	(53.7)	(54.6)
Retained earnings	273.3	439.3
Total equity	3,500.3	3,654.5
Profit for the year	–	350.0
Total comprehensive income	–	350.0

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 (F20: 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 2021 are set out below.

	2021 \$m	Restated ¹ 2020 \$m
Extract of the statement of profit or loss and other comprehensive income		
Profit before tax	365.8	255.3
Income tax expense	(100.2)	(75.6)
Net profit after tax	265.6	179.7
Retained earnings at beginning of the year	72.9	181.1
External dividends	(165.9)	(287.9)
Retained earnings at end of the year	172.6	72.9

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

Notes to the consolidated financial statements: Group composition

For the year ended 30 June 2021

NOTE 29 – DEED OF CROSS GUARANTEE (CONTINUED)

	2021 \$m	Restated ¹ 2020 \$m
Statement of financial position		
Current assets		
Cash and cash equivalents	215.9	267.3
Receivables	250.1	245.3
Inventories	432.3	495.6
Investments	1.9	1.9
Assets held for sale	8.1	–
Other current assets	8.3	6.6
Total current assets	916.6	1,016.7
Non-current assets		
Inventories	650.8	528.9
Investments	2,257.5	2,257.5
Property, plant and equipment	629.9	588.7
Right-of-use assets	86.9	96.2
Intangible assets	547.0	549.7
Deferred tax assets	44.8	43.9
Other non-current assets	1.9	2.7
Total non-current assets	4,218.8	4,067.6
Total assets	5,135.4	5,084.3
Current liabilities		
Trade and other payables	326.4	306.6
Borrowings	655.1	643.9
Current tax liabilities	22.7	23.9
Provisions	46.4	38.5
Other current liabilities	5.4	6.7
Total current liabilities	1,056.0	1,019.6
Non-current liabilities		
Borrowings	547.5	638.7
Deferred tax liabilities	121.7	122.6
Other non-current liabilities	21.2	11.6
Total non-current liabilities	690.4	772.9
Total liabilities	1,746.4	1,792.5
Net assets	3,389.0	3,291.8
Equity		
Contributed equity	3,281.3	3,269.8
Reserves	(64.9)	(50.9)
Retained earnings	172.6	72.9
Total equity	3,389.0	3,291.8

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.

Notes to the consolidated financial statements:

Other

For the year ended 30 June 2021

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.

	2021 \$	2020 \$
Short-term employee benefits	4,760,936	3,796,905
Post-employment benefits	65,916	63,008
Share based payments	457,187	6,897,611
Total	5,284,039	10,757,524

Additionally, compensation paid to non-executive directors was \$2,113,997 (F20: \$1,964,059).

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:

	2021 \$	2020 \$
Audit and review of financial statements and other audit work under the <i>Corporations Act 2001</i>	1,426,128	1,303,462
Associate firms of Auditor	493,530	420,737
Other assurance services	–	–
Audit and review services	1,919,658	1,724,199
Other non-audit services	439,280	58,882
Total	2,358,938	1,783,081

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 2021, 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 2021

NOTE 32 – OTHER ACCOUNTING POLICIES

New accounting standards and interpretations

Since 30 June 2020, the Group has adopted the following new and amended accounting standards.

Reference	Title	Application
References to Conceptual Framework	<i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020
AASB 2, AASB 101, AASB 108, AASB 110, AASB 134, AASB 137, the Framework and AASB Practice Statement 2	<i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020
AASB 3	<i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 January 2020
AASB 7, AASB 9 & AASB 139	<i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020
AASB 16	<i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions</i>	1 June 2020
IFRIC agenda decision	<i>Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)</i>	April 2021

Other than the impact of IFRIC agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)* – April 2021 outlined below, the adoption of these standards did not have a significant impact on the consolidated financial statements.

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
AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139	<i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141	<i>Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments</i>	1 January 2022
AASB 101	<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2023
AASB 4 & AASB 17	<i>Amendments to Australian Accounting Standards – Insurance Contracts</i>	1 January 2021
AASB 17	<i>Insurance Contracts</i>	1 January 2023

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

IFRIC agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The adoption of the above agenda decisions has resulted in the immediate recognition of certain configuration and customisation costs as an expense in the Statement of Comprehensive Income, impacting prior periods presented. The new accounting policy is presented in Note 13.

Notes to the consolidated financial statements:

Other

For the year ended 30 June 2021

NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)

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 2021 financial statements. Only restated lines have been included in the tables below.

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

Operating profit has been restated to remove amortisation expense on previously capitalised intangible assets that do not meet the requirements of the IFRIC agenda decision, and to recognise previously capitalised costs incurred as an expense in the year that do not meet the requirements of the IFRIC agenda decision. Adjustments to tax are due to the change in profit before tax.

	30 June 2020 reported \$m	Increase/ (decrease) \$m	30 June 2020 restated \$m
Administration expenses	(144.7)	(22.1)	(166.8)
Other income/(expenses)	(50.8)	1.1	(49.7)
Profit before tax	369.7	(20.9)	348.7
Income tax expense	(108.9)	5.6	(103.3)
Net profit attributed to members of Treasury Wine Estates Limited	260.8	(15.4)	245.4
Cash flow hedges	(15.5)	–	(15.5)
Other comprehensive income for the year, net of tax	2.9	–	2.9
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited	263.7	(15.4)	248.3
Total comprehensive income for the year	263.7	(15.4)	248.3
	Cents per share	Increase/ (decrease)	Cents per share
Earnings per share for profit attributed to the ordinary equity holders of the Company			
– Basic	36.2	(2.1)	34.1
– Diluted	36.2	(2.2)	34.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)

The Group derecognised previously capitalised intangible assets that do not meet the requirements of the IFRIC agenda decision. Deferred tax adjustments are due to timing differences arising from the derecognition of intangible assets. Shareholders equity has been restated to reflect the cumulative impact of the IFRIC agenda decision on retained earnings.

	30 June 2020 reported \$m	Increase/ (decrease) \$m	30 June 2020 restated \$m
Assets			
Intangible assets	1,331.6	(37.5)	1,294.1
Deferred tax assets	183.5	10.3	193.8
Equity			
Retained earnings	337.5	(27.3)	310.2
	30 June 2019 Reported \$m	Increase/ (decrease) \$m	30 June 2019 Restated \$m
Assets			
Intangible assets	1,308.9	(16.6)	1,292.3
Deferred tax assets	187.0	4.8	191.8
Equity			
Retained earnings	364.5	(11.8)	352.7

Notes to the consolidated financial statements:

Other

For the year ended 30 June 2021

NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED STATEMENT OF CASH FLOWS (EXTRACT)

There is no impact on overall cash flows of the Group from the change in accounting policy. Payments for intangible assets that do not meet the requirements of the IFRIC agenda decision have been reclassified from investing activities to payments to suppliers, governments and employees in operating activities.

	30 June 2020 \$m reported	Increase/ (decrease) \$m	30 June 2020 \$m restated
Payments to suppliers, governments and employees	(2,975.7)	(21.9)	(2,997.6)
Payments for intangible assets	(29.9)	21.9	(8.0)

SEGMENT INFORMATION (EXTRACT)

The table below outlines the impact of the IFRIC agenda decision on reported EBITs, amortisation expense, segment assets and segment liabilities.

	ANZ \$m	Americas \$m	Asia \$m	EMEA \$m	Total segment \$m	Unallocated/ corporate \$m	Consolidated \$m
Management EBITs –							
30 June 2020 reported	133.3	147.3	243.7	51.7	576.0	(42.5)	533.5
Increase/(Decrease)	(3.2)	(10.4)	(2.2)	(2.2)	(18.0)	(2.9)	(20.9)
Management EBITs –							
30 June 2020 restated	130.1	136.9	241.5	49.5	558.0	(45.4)	512.6
Amortisation –							
30 June 2020 reported	(0.6)	(3.6)	–	(1.6)	(5.8)	(14.9)	(20.7)
(Increase)/Decrease	–	–	–	–	–	1.1	1.1
Amortisation –							
30 June 2020 restated	(0.6)	(3.6)	–	(1.6)	(5.8)	(13.8)	(19.6)
Capital expenditure –							
30 June 2020 reported	(90.8)	(32.0)	(1.2)	(1.4)	(125.4)	(24.3)	(149.7)
(Increase)/Decrease	–	7.6	–	–	7.6	14.3	21.9
Capital expenditure –							
30 June 2020 restated	(90.8)	(24.4)	(1.2)	(1.4)	(117.8)	(10.0)	(127.8)
Segment Assets –							
30 June 2020 reported	2,514.5	2,783.9	163.2	428.6	5,890.2	781.7	6,671.9
Increase/(Decrease)	–	(10.4)	–	–	(10.4)	(16.8)	(27.2)
Segment Assets –							
30 June 2020 restated	2,514.5	2,773.5	163.2	428.6	5,879.8	764.9	6,644.7
Capital expenditure –							
30 June 2019 reported	(63.5)	(50.7)	(2.1)	(0.9)	(117.2)	(35.2)	(152.4)
(Increase)/Decrease	–	2.8	–	–	2.8	13.5	16.3
Capital expenditure –							
30 June 2019 restated	(63.5)	(47.9)	(2.1)	(0.9)	(114.4)	(21.7)	(136.1)
Segment Assets –							
30 June 2019 reported	2,505.1	2,841.3	223.0	370.9	5,940.3	701.2	6,641.5
Increase/(Decrease)	–	(2.8)	–	–	(2.8)	(9.0)	(11.8)
Segment Assets –							
30 June 2019 restated	2,505.1	2,838.5	223.0	370.9	5,937.5	692.2	6,629.7

Notes to the consolidated financial statements:

Other

For the year ended 30 June 2021

NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)

SEGMENT INFORMATION (EXTRACT) (CONTINUED)

	30 June 2020 reported \$m	Increase/ (decrease) \$m	30 June 2020 restated \$m
Non-current assets			
Australia	1,882.0	(27.2)	1,854.8
United States of America	2,159.8	(10.3)	2,149.5
United Kingdom	145.8	–	145.8
Other geographical locations	157.0	–	157.0
Total geographical non-current assets	4,344.6	(37.5)	4,307.1
Other non-current assets	227.0	10.3	237.3
Consolidated non-current assets	4,571.6	(27.2)	4,544.4

	30 June 2019 reported \$m	Increase/ (decrease) \$m	30 June 2019 restated \$m
Non-current assets			
Australia	1,871.0	(13.9)	1,857.1
United States of America	2,148.8	(2.7)	2,146.1
United Kingdom	152.2	–	152.2
Other geographical locations	123.5	–	123.5
Total geographical non-current assets	4,295.5	(16.6)	4,278.9
Other non-current assets	199.7	4.8	204.5
Consolidated non-current assets	4,495.2	(11.8)	4,483.4

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

Notes to the consolidated financial statements:

Other

For the year ended 30 June 2021

NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the consolidated financial statements:

Other

For the year ended 30 June 2021

NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)

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 – CONTINGENT LIABILITIES

From time to time, Companies within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the normal course of business. The Directors have given consideration to such matters which are or may be subject to claims or litigation at year end and are of the opinion that that any liabilities arising over and above already provided in the financial statements from such action would not have a material effect on the Group's financial performance.

It is not practical to estimate the potential effect of these matters however the Group believe that it is not probable that a significant liability will arise.

Class actions

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. The two actions were consolidated into a single action on 15 October 2020.

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 2021 in respect of the claim.