TREASURY WINE ESTATES (MATUA) LIMITED

Company Number 266340

Financial Statements
30 June 2017

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

In the opinion of the Directors of Treasury Wine Estates (Matua) Limited, the financial statements and notes, on pages 7 to 28:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 30 June 2017 and the results of its operations and cash flows for the year ended on that date; and

- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgment and estimates.

The Directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors

Steven Holland

Director

Matthew John Young

Director

24 November 2017

COMPANY DIRECTORY

Nature of business	Production of wine and grape growing
Registered office	351 Jacksons Road, RD3 Rapaura Blenheim New Zealand 7273 (effective 18 September 2017)
Incorporation number	266340
Directors	Steven Holland (Appointed 1 July 2014) Matthew John Young (Appointed 28 February 2017) Noel Anthony Meehan (Ceased 1 March 2017) Paul David Conroy (Ceased 4 October 2016)
Shareholder	Treasury Wine Estates (NZ) Holding Co Pty Ltd
Financial review	Profit after tax for the year ended 30 June 2017 was $23,005 thousand (2016: Restated profit $6,713 thousand)
Auditors	KPMG, Melbourne
Bankers	Westpac

Independent Auditor's Report

To the shareholders of Treasury Wine Estates (Matua) Limited

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Treasury Wine Estates (Matua) Limited (the company) on pages 7 to 28:

i. present fairly in all material respects the company's financial position as at 30 June 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 30 June 2017;

— the statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Other information includes the Directors' report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);

— implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

— to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Simon Dubois.

For and on behalf of

KPMG

KPMG

KPMG
Melbourne

24 November 2017

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000s	2016 Restated [1] $'000s
Revenue	4	233,437	249,387
Cost of sales		(202,475)	(218,505)
Gross profit		**30,962**	**30,882**
Other income	4	23,584	789
Selling expenses		(9,542)	(10,183)
Marketing expenses		(1,926)	(1,940)
Other expenses		(10,061)	(5,228)
Profit before tax and finance costs		**33,017**	**14,320**
Finance income	6	106	152
Finance costs	6	(2,786)	(5,394)
Net finance costs		(2,680)	(5,242)
Profit before tax		**30,337**	**9,078**
Income tax expense	13	(7,332)	(2,365)
Net profit		**23,005**	**6,713**
Other comprehensive income		-	-
Comprehensive income for the year, net of tax		**23,005**	**6,713**

[1] Comparative balances have been restated to reflect the change in accounting standards relating to Agricultural Assets. Refer to note 23 for details.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 $'000s	2016 Restated [1] $'000s
Current assets			
Cash and cash equivalents		6,070	1,786
Trade and other receivables	7	45,219	36,287
Inventories	8	63,786	73,079
Assets held for sale	12	2,900	11,358
Current tax assets		-	116
Total current assets		**117,975**	**122,626**
Non-current assets			
Property, plant & equipment	9	75,729	59,692
Agricultural assets	10	-	-
Intangible assets	11	5,114	5,114
Deferred tax asset	14	2,601	6,076
Total non-current assets		**83,444**	**70,882**
Total assets		**201,419**	**193,508**
Current liabilities			
Trade and other payables	15	84,904	106,347
Provisions	16	4,847	2,239
Total current liabilities		**89,751**	**108,586**
Non-current liabilities			
Deferred tax liability	14	6,794	3,053
Total non-current liabilities		**6,794**	**3,053**
Total liabilities		**96,545**	**111,639**
Net assets		**104,874**	**81,869**
Equity			
Share capital	17	125,286	125,286
Retained earnings		(20,412)	(43,417)
Total equity		**104,874**	**81,869**

[1] Comparative balances have been restated to reflect the change in accounting standards relating to Agricultural Assets. Refer to note 23 for details.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	CONTRIBUTED EQUITY	RETAINED EARNINGS Restated [1]	TOTAL EQUITY Restated [1]
	$'000s	$'000s	$'000s
Balance at 1 July 2015	125,286	(12,844)	112,442
Profit for the year	-	6,713	6,713
Derecognition of goodwill	-	(38,972)	(38,972)
Amalgamation adjustment	-	1,686	1,686
Total comprehensive income / (loss) for the year	**-**	**(30,573)**	**(30,573)**
Balance at 30 June 2016	**125,286**	**(43,417)**	**81,869**
Profit for the year	-	23,005	23,005
Total comprehensive income for the year	**-**	**23,005**	**23,005**
Balance at 30 June 2017	**125,286**	**(20,412)**	**104,874**

[1] Comparative balances have been restated to reflect the change in accounting standards relating to Agricultural Assets. Refer to note 23 for details.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016 Restated [1]
	$'000s	$'000s
Cash flows from operating activities		
Receipts from customers	258,391	304,676
Payments to suppliers	(230,763)	(268,037)
Interest received	106	152
Interest paid	(2,786)	(5,394)
Income taxes refunded	-	5,411
Net cash flows from operating activities	**24,948**	**36,808**
Cash flows from investing activities		
Payments for property, plant, equipment and agricultural assets	(29,807)	(1,967)
Proceeds from sale of property, plant and equipment	19,323	1,286
Net cash flows used in investing activities	**(10,484)**	**(681)**
Cash flows from financing activities		
Repayment of borrowings	(10,180)	(43,790)
Net cash flows used in financing activities	**(10,180)**	**(43,790)**
Net increase/(decrease) in cash and cash equivalents	**4,284**	**(7,663)**
Cash and cash equivalents at the beginning of the year	1,786	9,449
Cash and cash equivalents at the end of the year	**6,070**	**1,786**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - REPORTING ENTITY

Treasury Wine Estates (Matua) Limited ("the Company") is a limited liability company incorporated and domiciled in New Zealand. The address of the Company's registered office is 351 Jacksons Road, RD3 Rapaura, Blenheim New Zealand. Treasury Wine Estates (NZ) Holding Co Pty Ltd is the parent entity and the ultimate parent company is Treasury Wine Estates Limited, a company registered in Australia.

The Company is primarily involved in the production of wine and grape growing.

The financial statements of the Company are as at and for the year ended 30 June 2017. These financial statements were authorised for issue by the Directors on 24 November 2017.

NOTE 2 - BASIS OF ACCOUNTING

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime (NZ IFRS RDR) and other applicable Financial Reporting Standards as appropriate for Tier 2 for-profit entities.

The Company has elected to report in accordance with Tier 2 for-profit accounting standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

Other than as disclosed in note 23, the accounting policies are consistent with those applied in the previous financial year.

Basis of preparation

These financial statements have been prepared on a historical cost basis except for Agricultural assets which are measured at fair value less costs to sell.

Functional and presentation currency

These financial statements are presented in New Zealand Dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

NOTE 3 – SIGNFICANT ACCOUNTING POLICIES

This report contains comparative information that has been adjusted to align with the presentation of the current period where necessary and to reflect the initial application of *Agriculture: Bearer Plants (Amendments to NZ IAS 16 and NZ IAS 41)* as disclosed in note 23. Where applicable, comparative periods have been adjusted to disclose comparatives on the same basis as the current year.

Foreign currency

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to NZD at the exchange rate at the statement of financial position date. Foreign currency differences arising on their translation are recognised in profit or loss.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Revenue

Sale of goods

Revenue from the sale of goods is recognised in the statement of profit or loss when the significant risks and rewards have been transferred to the buyers. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, or when there is continuing management with the goods. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised as employee benefits in the statement of financial position in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

Finance income and finance costs

Finance income and finance costs include:

- interest income; and
- interest expense.

Interest income is recognised using the effective interest method as it accrues. Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income tax

Treasury Wine Estates (Matua) Limited is treated as a tax consolidated group in New Zealand. The tax consolidated group is required to complete and file an income tax return, which includes an imputation credit account return.

Current tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the current income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax losses.

Deferred tax

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Goods and services tax (GST)

The statement of profit or loss has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables that are inclusive of GST.

Agricultural assets

Agricultural assets comprise grapes growing on grape vines. Grapes are measured at their fair value less estimated point of sale costs. Grape vines are bearer plants and are therefore presented and accounted for as property, plant and equipment.

The net change in the fair value of grapes over the year is recognised within 'other income' or 'other expenses' in the profit or loss. Prior to harvest, grapes are considered as part of agricultural assets. Harvested grapes are transferred to inventory initially at fair value and are then subsequently accounted for in the cost of inventory.

Change in accounting policy

The Company has applied the amendments made to the accounting standards in relation to the accounting for bearer plants from 1 July 2015, see note 23 for further information.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct cost of production or purchase and the attributable portion of all overheads appropriate to location and condition. Included in inventory is the market value of picked grapes.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Plant and equipment under construction is shown as ‘work in progress’ at cost. The construction includes the cost of materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.
Land is not depreciated. Depreciation of property, plant and equipment is calculated using straight line or diminishing value methods so as to expense the cost of the assets over their useful lives.

The depreciation rates for the current and comparative periods are as follows:

- Freehold buildings 1.5% - 10.0%
- Leasehold buildings 10% – 20.0%
- Plant and equipment 3.3% - 40.0%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

Recognition and measurement

Brands are carried at cost less any accumulated impairment losses. The cost of acquired brand names is determined by reference to independent valuations performed on the acquisition of businesses.

Subsequent expenditure

All brand names have an indefinite useful life. Brand names with an indefinite life reflects management's intention to continue to manufacture or distribute brands that will generate net cash inflows into the foreseeable future. An annual review of indefinite life brands is undertaken to identify any factors that would significantly restrict the market or the brand position in that market (such as contractual, customer or consumer constraints or limitations on grape supply).

Amortisation

Brand names are not amortised but an annual impairment assessment is performed at each reporting date.

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they 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 their 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.

Financial instruments

The Company classifies non-derivative financial assets as loans and receivables and non-derivative liabilities as other financial liabilities.

Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Company initially recognises loans and receivables on the date that they originated. All other financial assets and financial liabilities are recognised initially on the date when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company initially recognises debt securities issues and subordinated liabilities on the date that they originated. All other financial liabilities are recognised initially on the date which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables (excluding prepayments).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Trade and other receivables (excluding prepayments)

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

A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in 'other expenses' within profit or loss.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in profit or loss.

Non-derivative financial liabilities - measurement

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

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 the purchases of goods or services. Trade and other payables are carried at amortised cost.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Impairment

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than agricultural assets, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset or CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated directly to reduce the carrying amounts of the assets in the CGU.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss is reversed where there is a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Restructuring provision

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan and the restructuring plan has commenced or has been announced publicly. Future operating losses are not provided for.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under an operating lease (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

NOTE 4 – REVENUE AND OTHER INCOME

	2017 $'000s	2016 $'000s
Revenue		
Net sales revenue	183,600	201,527
Other revenue	49,837	47,860
Total revenue	**233,437**	**249,387**
Other income		
Net profit on disposal of property, plant and equipment and agricultural assets	3,479	348
Foreign exchange gains	1,693	755
Insurance income	18,412	-
Other receipts	-	(314)
Total other income	**23,584**	**789**

NOTE 5 - EXPENSES

	2017 $'000s	2016 Restated [1] $'000s
Depreciation expense		
Freehold buildings	346	541
Leasehold buildings	-	85
Plant and equipment	3,512	4,025
Total depreciation expense	**3,858**	**4,651**
Write downs of property, plant and equipment	5,135	243
Rental expenses - operating leases	2,457	2,712
Employee benefit expenses		
Salaries and wages, including restructuring and termination costs	12,417	15,390

[1] Comparative balances have been restated to reflect the change in accounting standards relating to Agricultural Assets. Refer to note 23 for details.

NOTE 6 – NET FINANCE COSTS

	2017 $'000s	2016 $'000s
Interest income	74	56
Other finance income	32	96
Finance income	**106**	**152**
Interest expense	(2,762)	(5,362)
Bank charges	(24)	(32)
Finance costs	**(2,786)**	**(5,394)**
Net finance costs	**(2,680)**	**(5,242)**

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2017 $'000s	2016 $'000s
Current		
Trade receivables	12,969	11,863
Allowance for doubtful debts	(104)	(130)
Net trade receivables	**12,865**	**11,733**
GST receivable	2,791	4,999
Insurance income receivable	18,412	-
Prepayments and other receivables	1,331	1,459
Related party receivables	9,820	18,096
Total other receivables	**32,354**	**24,554**
Total trade and other receivables	**45,219**	**36,287**

NOTE 8 - INVENTORIES

	2017 $'000s	2016 $'000s
Current		
Raw materials	730	315
Work in progress	43,935	49,149
Finished goods	19,121	23,615
Total inventories	**63,786**	**73,079**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	LAND		FREEHOLD BUILDINGS		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
								Restated [1]		Restated [1]
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Cost	19,124	11,342	10,570	10,208	-	581	79,109	67,010	108,803	89,141
Projects in progress at cost	-	15	48	185	-	-	1,180	2,168	1,228	2,368
Accumulated depreciation and impairment	-	-	(2,894)	(2,715)	-	(581)	(31,408)	(28,521)	(34,302)	(31,817)
Carrying amount at end of year	**19,124**	**11,357**	**7,724**	**7,678**	**-**	**-**	**48,881**	**40,657**	**75,729**	**59,692**
Reconciliations										
Carrying amount at the start of the year	11,357	14,510	7,678	11,359	-	328	40,657	48,969	59,692	75,166
Additions	10,563	15	558	391	-	-	18,686	1,507	29,807	1,913
Assets held for sale	(2,796)	(2,908)	(165)	(3,025)	-	-	(1,405)	(5,426)	(4,366)	(11,359)
Disposals	-	(260)	-	(506)	-	-	(411)	(368)	(411)	(1,134)
(Write downs)/Reversals	-	-	-	-	-	(243)	(5,135)	-	(5,135)	(243)
Depreciation expense	-	-	(346)	(541)	-	(85)	(3,512)	(4,025)	(3,858)	(4,651)
Transfers	-	-	-	-	-	-	-		-	-
Carrying amount at end of year	**19,124**	**11,357**	**7,725**	**7,678**	**-**	**-**	**48,880**	**40,657**	**75,729**	**59,692**

[1] Comparative balances have been restated to reflect the change in accounting standards relating to Agricultural Assets. Refer to note 23 for details.

NOTE 10 – AGRICULTURAL ASSETS

	2017 $'000s	2016 Restated [1] $'000s
Agricultural assets	-	-
Total agricultural assets	**-**	**-**
Reconciliations		
Carrying amount at the start of the year	-	-
Additions	3,189	2,792
Disposals	-	-
Transfer to Inventory	(3,189)	(2,792)
Carrying amount at end of year	**-**	**-**

NOTE 11 – INTANGIBLE ASSETS

	BRAND NAMES AND LICENCES		GOODWILL		TOTAL	
	2017 $'000s	2016 $'000s	2017 $'000s	2016 $'000s	2017 $'000s	2016 $'000s
Cost	5,114	5,114	-	40,130	5,114	45,244
Accumulated amortisation and impairment	-	-	-	(1,158)	-	(1,158)
Derecognition	-	-	-	(38,972)	-	(38,972)
Carrying amount at end of year	**5,114**	**5,114**	**-**	**-**	**5,114**	**5,114**
Reconciliations						
Carrying amount at the start of the year	5,114	5,114	-	38,972	5,114	44,086
Derecognition	-	-	-	(38,972)	-	(38,972)
Carrying amount at end of year	**5,114**	**5,114**	**-**	**-**	**5,114**	**5,114**

[1] Comparative balances have been restated to reflect the change in accounting standards relating to Agricultural Assets. Refer to note 23 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

NOTE 12 – ASSETS HELD FOR SALE

	2017 $'000s	2016 $'000s
Assets held for sale	2,900	11,358
Total assets classified as held for sale	**2,900**	**11,358**

Assets held for sale relate to Hawkes Bay Vineyards, namely Matheson Vineyard, which are assessed as surplus to requirements. The carrying value comprises land and buildings $2.0 million and plant and equipment $0.9 million. There are no cumulative income or expenses included in other comprehensive income related to the asset held for sale.

NOTE 13 – INCOME TAX EXPENSE

	2017 $'000s	2016 Restated [1] $'000s
Current tax expense		
Current year benefit/(expense)	-	-
Adjustment for prior period	(116)	-
	(116)	**-**
Deferred tax expense		
Origination and reversal of temporary differences	(7,154)	(2,439)
Adjustment for prior period	(62)	74
Total income tax expense	**(7,332)**	**(2,365)**

Numerical reconciliation between tax benefit/(expense) and pre-tax accounting profit/(loss)

	2017	2016
Profit for the year	23,005	6,713
Total income tax expense	(7,332)	(2,365)
Profit before income tax	**30,337**	**9,078**
Income tax using the Company's statutory income tax rate of 28% (2016: 28%)	(8,494)	(2,542)
Non-taxable income and profits, net of non-deductible expenditure	(38)	(12)
Over provided in prior years	(57)	(3)
Other	1,257	192
	(7,332)	**(2,365)**
Imputation credit balance		
Balance at 1 July	19,122	24,548
Tax payments net of refunds	1,798	(5,426)
	20,920	**19,122**

NOTE 14 – DEFERRED TAX

	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY	NET
	2017	2017	2017
	$'000s	$'000s	$'000s
Inventory	-	(585)	(585)
Property, plant and equipment	-	(2,388)	(2,388)
Other provisions and accruals	1,865	(3,821)	(1,956)
Carried forward tax losses	736	-	736
Total deferred tax assets / (liabilities)	**2,601**	**(6,794)**	**(4,193)**

	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY	NET
	2016	2016	2016
	$'000s	$'000s	$'000s
Property, plant and equipment	156	(2,939)	(2,783)
Other provisions and accruals	1,934	(114)	1,820
Carried forward tax losses	3,986		3,986
Total deferred tax assets / (liabilities)	**6,076**	**(3,053)**	**3,023**

There are potential future income tax benefits relating to accumulated tax losses in the Treasury Wine Estates (Matua) Limited Consolidated Group, which have been brought to account as a deferred tax asset (above). The possible benefits amount to $0.7m million (2016: $4.0 million).

NOTE 15 – TRADE AND OTHER PAYABLES

	2017	2016
	$'000s	$'000s
Current		
Trade payables	9,124	14,745
Other payables and accruals	6,249	3,760
Related party payables	69,531	87,842
Total trade and other payables	**84,904**	**106,347**

[1] Comparative balances have been restated to reflect the change in accounting standards relating to Agricultural Assets. Refer to note 23 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

NOTE 16 - PROVISIONS

	2017 $'000s	2016 $'000s
Current		
Employee entitlements	499	580
Provision for restructuring	3,917	1,659
Other provisions	431	-
Total current provisions	**4,847**	**2,239**

Restructuring provision		
Carrying amount at the start of the year	1,659	(109)
Charged / (credited) to profit or loss	3,617	2,740
Payments	(1,359)	(972)
Carrying amount at end of year	**3,917**	**1,659**

The restructuring provision balance comprises costs in relation to changes in the route-to-market model. The provision allows for costs in relation to redundancies, onerous leases, legal fees and the closure of customer contracts. The provision is expected to be fully utilised by 30 June 2018.

NOTE 17 – SHARE CAPITAL

	NUMBER OF SHARES		$'000s	
	2017	2016	2017	2016
Ordinary shares	135,810,322	135,810,322	117,052	117,052
Preference shares	823	823	8,234	8,234
Contributed equity at the end of the period	**135,811,145**	**135,811,145**	**125,286**	**125,286**

Ordinary shares and preference shares

All issued shares are fully paid. Ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares do not have a par value. The preference shares hold voting rights and rights to dividends as declared from time to time and redemption is at the discretion of the Company. None of the above shares are held by the Company.

NOTE 18 – OPERATING LEASES

Leases as lessee

The vast majority of the Company's leases relate to land (on which it grows grapes). The remainder is plant, office equipment and vehicles leased under non-cancellable operating leases expiring within two to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows

	2017 $'000s	2016 $'000s
Less than one year	2,375	2,182
Between one and five years	6,647	6,754
More than five years	3,791	5,279
Total lease commitments	**12,813**	**14,215**

NOTE 19 – RELATED PARTIES

Identity of related parties

Parent and ultimate parent entity

Treasury Wine Estates (Matua) Limited is a wholly owned subsidiary of Treasury Wine Estates (NZ) Holding Co Pty Limited. The ultimate parent company is Treasury Wine Estates Limited, a company incorporated in Australia.

Key management personnel

The Company has related party relationships with its Directors and executive officers.

Transactions with related parties

The Company sold wine to the following related parties on normal commercial terms during the year:

- Treasury Wine Estates - EMEA
- Treasury Wine Estates - Americas
- Treasury Wine Estates - Australia
- Treasury Wine Estates - Norway
- Treasury Wine Estates - Sweden

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within a month of the reporting date. None of the balances are secured. No expense has been recognised in the current or prior year for bad or doubtful debts in respect of amounts owed by related parties.

NOTE 19 – RELATED PARTIES (CONTINUED)

		TRANSACTIONS DURING THE YEAR		TOTAL RECEIVABLE / (TOTAL PAYABLE)	
		2017 $'000s	2016 $'000s	2017 $'000s	2016 $'000s
Treasury Wine Estates - EMEA	Sale of wine	2,458	7,546	427	864
	Payment of expenses	-	517		
Treasury Wine Estates - Americas	Sale of wine	34,182	28,457	5,204	10,953
	Payment of expenses	656	10,779		
Treasury Wine Estates - Australia	Sale of wine	29,596	26,009	3,756	6,280
	Payment of expenses	17,886	5,506		
TWE Finance (Aust) Limited	Sale of wine	-	-	(69,088)	(87,842)
	Payment of expenses	-	-		
Treasury Wine Estates - Norway	Sale of wine	706	281	-	-
	Payment of expenses	-	-		
Treasury Wine Estates - Sweden	Sale of wine	445	432	-	-
	Payment of expenses	-	-		
Other	Sale of wine	-	-	(10)	(2)
	Payment of expenses	-	-		
				(59,711)	**(69,747)**

NOTE 20 – FINANCIAL INSTRUMENTS

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Company consists of Related Party working capital funding, cash and cash equivalents and equity, comprising share capital and retained earnings. The Directors review the capital base on an annual basis. As part of the review the Directors review the cost of capital and risks associated with each class of capital. The Directors will balance the overall capital structure through the issuance or repayment of related party facilities, or issuance or buy back of share capital. The Company's overall strategy remains unchanged from 2016. There are no externally imposed capital requirements on the Company.

	2017 $'000s	2016 $'000s
Financial assets		
Cash and cash equivalents	6,070	1,786
Trade and other receivables	45,219	36,287
Total assets	**51,289**	**38,073**
Financial liabilities		
Trade and other payables	84,904	106,347
Total liabilities	**84,904**	**106,347**

Currency Risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Treasury Wine Estates Group companies. The functional currencies in which these transactions are primarily denominated are New Zealand Dollars, Australian Dollars and Euro.

NOTE 21 – SUBSEQUENT EVENTS

Due to the acquisition of SAB Miller by AB-Inbev in October 2016 and the subsequent divestment of Peroni, a decision was made to terminate the distribution of beer and cider in NZ, effective 25 August 2017. This decision and the consequential impact to total margin, led to a full strategic review of the TWE NZ operating model.

As a result of the review, the Company has decided to cease all sales and marketing activities with respect to its wine portfolio from 1 September 2017. The Company will effectively close the operation of its NZ Demand entity resulting in redundancies for Sales, Marketing, Finance and Administration staff. Following this decision, Independent Liquor NZ has been awarded the rights for exclusive distribution of TWE brands in NZ.

Other than that which is noted, there were no other subsequent events.

NOTE 22 - CONTINGENCIES

As at 30 June 2017, the Company had no contingent assets or liabilities (2016: nil).

NOTE 23 – COMPARATIVE BALANCES

Effective from 1 July 2016 the Company has adopted *Agriculture: Bearer Plants (Amendments to NZ IAS 16 and NZ IAS 41)* and the consequential amendments to NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 41 *Agriculture*. These amendments distinguish bearer plants (i.e. grape vines), from other biological assets (i.e. grapes). The updated standards consider bearer plants, which are solely used to grow produce over their productive lives, as similar to an item of machinery. Bearer plants are now accounted for under NZ IAS 16. Agricultural produce growing on bearer plants remains within the scope of NZ IAS 41 and continues to be measured at fair value less costs to sell.

Comparative financial information has been restated to reflect the above in accordance with relevant transitional requirements. The changes reflect:

- Reclassification of the value of bearer plants from Agricultural assets to Property, plant and equipment;
- Depreciation expense in connection with bearer plants; and
- The consequential tax impact of the above.

The following tables summarise the impact of the adjustments on the comparative financial information.

	30-Jun-16 $'000s	Increase / (Decrease) $'000s	30-Jun-16 Restated $'000s
Statement of profit or loss and other comprehensive income (extract)			
Cost of sales	(218,230)	(275)	(218,505)
Profit before tax	9,353	(275)	9,078
Income tax expense	(2,442)	77	(2,365)
Net profit	6,911	(198)	6,713
Statement of financial position (extract)			
Property, plant and equipment	54,598	5,094	59,692
Agricultural assets	9,419	(9,419)	-
Deferred tax liabilities	4,264	(1,211)	3,053
Retained earnings	(40,304)	(3,113)	(43,417)

NOTE 24 – ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS

The impact of NZ IFRS 16 *Leases* is expected to have a material impact on the Company, as outlined below.

NZ IFRS 16 Leases

NZ IFRS 16 *Leases* was released in February 2016 by the NZ Accounting Standards Board. This standard removes the lease classification test for lessees and requires the Company to bring all material leases with lease terms greater than one year on to the balance sheet. There is also new guidance on when an arrangement would meet the definition of a lease.

The new standard is mandatory for annual reporting periods beginning after January 2019, but is available to be early adopted. The Company will be required to recognise new assets and liabilities for its operating leases including vineyards, buildings, equipment and other motor vehicles, and the nature of the expenses related to those leases will change as NZ IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on the lease liabilities.

The Company intends to apply the full retrospective transition option.

The Company is in the process of performing an initial assessment of the potential impact on its consolidated financial statements based on the existing operating expenses and expect to disclose a more detailed assessment during 2018.