MAKING EVERY DROP COUNT

LION NATHAN ANNUAL REPORT

2008

Welcome to the FY08 Lion Nathan Annual Report

2008 was a busy and successful year for Lion Nathan. We encourage you to read all about what the business has been up to in our new publications – the Annual Review and the Sustainability Report. These publications provide an overview of the Lion Nathan business strategy, key achievements in FY08, and how we're investing for future growth. These publications, as well as this detailed Annual Report are now available for download at www.lion-nathan.com.

The business has delivered healthy revenue growth and cash flow realisation while investing in core business assets to achieve higher sustainable earnings growth.

Overall, a 4.2% increase in operating net profit after tax (NPAT) to $278.3 million was achieved for the 12 months to 30 September 2008. Reported NPAT was $272.7 million, including one-time costs from the acquisition of J Boag & Son (Boag's) of $8 million ($5.6 million post tax), in line with previous guidance.

All business units contributed to this result, with robust revenue and earnings growth in Australia, New Zealand and the Wine group, despite the economic slowdown.

The success of increased brand investment has translated into volume growth and improved mix. Within both the Australian and New Zealand business units, 10% of net sales revenue in the 2008 financial year was derived from new products and innovations that have been launched in the last three years.

The strategy of investing behind our power brands is maturing, with more than 78% of portfolio volume derived from these higher equity brands in 2008.

The Boag's business is now fully integrated, and sales of these brands are tracking above the Company's expectations, with the trademark growing volumes by 6% in the second half versus the prior year. Lion Nathan has committed to invest $25 million to double capacity at the Boag's brewery in Launceston by 2010 and expects to continue this growth.

The three year program of major capital investment is on track and efficiencies are already being delivered by way of improved safety, agility and quality standards and, importantly, a reduction in environmental impact.

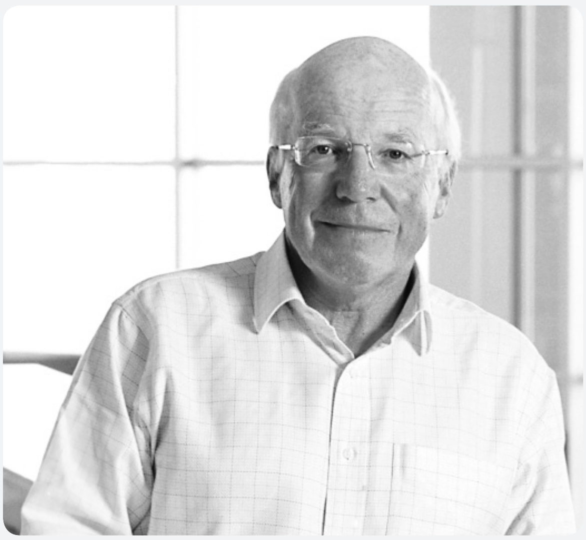
The Company's ongoing focus on building a constructive culture is also paying dividends in the marketplace, with both Lion Nathan Australia and Lion Nathan New Zealand ranked number one for overall customer satisfaction against their respective competitors.

The Board declared a final dividend of 22 cents per share fully franked. This represents an increase of 4.8% on the FY07 final dividend. The total annual dividend was 42 cents per share, up 5.0% on total ordinary dividends in 2007, and in line with the Company's dividend ratio policy of 80% of operating NPAT.

The Company's strategy of investing for growth has built a stronger business, and with this momentum, is extremely well positioned and remains on course to achieve a step up in earnings in 2009.

Geoff Ricketts
Chairman

Rob Murray
Chief Executive Officer



Business Overview

Delivering on expectations whilst investing for the future

Lion Nathan reported a 4.2% increase in operating net profit after tax (NPAT) to $278.3 million in FY08.

After adjusting for the impact of one-time items (OTIs) and individually significant items (ISIs), a reported NPAT of $272.7 million was achieved. This includes the one-time costs associated with the acquisition of J Boag & Son Pty Limited (Boag's) of $8 million ($5.6 million post tax), in line with previous guidance.

All business units contributed to the strong result, with revenue and earnings growth in Australia, New Zealand and Wine. The results were fuelled by the success of recent new products and increased brand investment, which has translated into volume growth and improved mix. A particular highlight is the beer volume, value and market share growth achieved in Australia and New Zealand.

Strong cash flow remains a key attribute of the Lion Nathan business with a cash realisation ratio of 97.4% in FY08 (up from 93.0% in prior year).

Over the last three years, the Company has increased its investment in brands, breweries and people. In FY08, this investment has resulted in the successful launch of a number of new products including Speight's Summit Lager in New Zealand and, more recently, Tooheys NEW White Stag in Australia. Within both the Australian and New Zealand business units, 10% of net sales revenue in FY08 was derived from new products and innovations that have been launched in the last three years.

Key components of the brewing infrastructure within the business have been overhauled over the last two years to lower costs and improve flexibility. Major projects at Tooheys and XXXX Castlemaine will be completed in FY09. An upgrade to the Boag's brewery in Tasmania was announced in May, and work has commenced to double the capacity of this brewery to 100 million litres. A new brewery, warehousing and production facility is under construction in East Tamaki, Auckland, to replace the current brewery at Newmarket. This project is on track for completion in 2011 and the first brew is expected to be produced at the new Auckland brewery late in the 2009 calendar year. These projects represent the principal drivers of the increased capital expenditure in FY08. Capital expenditure of $252 million was recorded in FY08, at the bottom end of the Company's guidance range, due to the timing of cash outflows.

Variable input costs increased during FY08 in line with previous guidance. Commodity price increases have been a factor, whilst the consumer trend to premiumisation also impacted upon cost of goods. Guidance of a 5-7% increase in variable input costs is reiterated for FY09.

The Company continues its focused strategy of pursuing sustainable long term growth through investment in brands, breweries and people to deliver shareholder value. Importantly, our customers have also benefited from this approach, with both Lion Nathan Australia and Lion Nathan New Zealand ranked number one for overall satisfaction against their respective competitors[1].

The investments that have been made over the last three years have built a stronger business. As such, whilst economic conditions are volatile at present and the new financial year will be challenging, the Company remains confident of an earnings step up in the 2009 financial year, and has set a guidance range of $300 – $315 million NPAT (pre significant and one-time items) for FY09.

Revenue and earnings growth in each of the three business units

Operating profit from the Lion Nathan Australia business grew by 7.9% to $446.1 million. Volumes grew by 32 million litres, or 4.6% during the financial year to 30 September 2008. Excluding Boag's, beer volume grew by 3 million litres which represents a 0.5% increase, whilst the market grew slightly, increasing volumes by 0.1%[2].

The Boag's business was fully integrated into Lion Nathan systems within 12 weeks of completing the acquisition. Sales of Boag's brands are tracking above the Company's expectations at the time of the acquisition, with the trademark growing volumes by 6% in the second half versus the prior year.

The New Zealand operations performed strongly despite a challenging economic environment. The New Zealand business increased operating profit by 3.8% in NZ dollar terms and grew volumes by 1.6%. In Australian dollar terms, the EBIT was marginally down (–0.1%) due to the impact of the weaker NZD across the year. Steinlager Pure, which was launched midway through the prior financial year, continues its exceptional growth trajectory and is now being exported to Hawaii and Australia. Further innovation success has been achieved through Speight's Summit Lager launched in June 2008.

The Wine business grew operating profit by 22.5% in the financial year to deliver an EBIT pre SGARA of $15.8 million. This was achieved despite lower than anticipated sales to the US market, following the sale of distributor Beam Wine Estates to Constellation brands in November 2007 and the recent transition to a Company owned sales platform. Operating margins continue to improve through cost and vintage management.

Significant items

The FY08 result contains no individually significant items. The prior financial year result included a net $14.9 million benefit from significant items relating to the sale of the NZ brewery site, LNFA tax audit, Project Invest and the Australian Wine Group write-down.

One – time items

Acquisition of J Boag & Son

One-time items relating to the acquisition of J Boag & Son Pty Ltd in January 2008 totalled $8 million pre-tax ($5.6 million post-tax). These costs are in line with guidance and comprise restructuring and integration costs.

[1] Towers Perrin ISR, LN Customer Engagement Survey 2008

[2] Company estimate

Business Overview continued

Full year operating profit analysis **(Before one-time & significant items)**

TWELVE MONTHS ENDED ($M)	30 SEP 08	30 SEP 07	CHANGE
Operating EBIT			
Australia	446.1	413.6	7.9%
New Zealand (NZD)	90.0	86.7	3.8%
New Zealand (AUD)	76.2	76.3	(0.1)%
Wine (pre SGARA)	15.8	12.9	22.5%
SGARA	0.3	(2.8)	110.7%
Corporate	(31.4)	(27.6)	(13.8)%
Group Operating EBIT	**507.0**	**472.4**	**7.3%**
Net Interest Expense	(108.7)	(89.6)	(21.3)%
Pre-Tax Earnings	**398.3**	**382.8**	**4.0%**
Income Tax Expense	(119.8)	(115.5)	(3.7)%
Minority Interests	(0.2)	(0.1)	(100.0)%
Operating Net Profit after Tax	**278.3**	**267.2**	**4.2%**

Full year reported profit analysis

TWELVE MONTHS ENDED ($M)	30 SEP 08	30 SEP 07	CHANGE
Net sales revenue	2,094.2	1,967.0	6.5%
EBIT			
Australia	438.1	391.7	11.8%
New Zealand	76.2	105.4	(27.7)%
Wine (pre SGARA)	15.8	(6.9)	329.0%
SGARA	0.3	(2.8)	110.7%
Corporate	(31.4)	(34.7)	9.5%
Group EBIT	**499.0**	**452.7**	**10.2%**
Net Interest Expense	(108.7)	(100.9)	(7.7)%
Pre-Tax Earnings	**390.3**	**351.8**	**10.9%**
Income Tax Expense	(117.4)	(69.6)	(68.7)%
Minority Interests	(0.2)	(0.1)	(100.0)%
Net Profit after Tax	**272.7**	**282.1**	**(3.3)%**
Earnings per share before significant items (cents)[3]	51.2	50.2	2.0%
Reported Earnings per share (cents)[3]	51.2	53.0	(3.4)%
Final ordinary dividend per share (cents)	22.0	21.0	4.8%
Total ordinary dividend per share (cents)	42.0	40.0	5.0%
No. shares on issue at period end (millions)	534.2	534.2	–

Reconciliation of operating and reported results

	30 SEPTEMBER 2008		30 SEPTEMBER 2007	
TWELVE MONTHS ENDED ($M)	EBIT	NPAT	EBIT	NPAT
Operating Result	**507.0**	**278.3**	**472.4**	**267.2**
One–Time Items (OTIs)	(8.0)	(5.6)	–	–
Result before Significant Items	**499.0**	**272.7**	**472.4**	**267.2**
Significant Items (SIs)	–	–	(19.7)	14.9
Reported Result	**499.0**	**272.7**	**452.7**	**282.1**

[3] Calculated using total number of shares on issue less shares held by Lion Nathan Achievement Rights Trust

Note: Rounding may affect percentage change calculations – correct percentage change shown in table.

Australian Segmental

Australia results

TWELVE MONTHS ENDED ($M)		30 SEP 08	30 SEP 07	CHANGE
Volume	(millions of litres)	731	699	4.6%
Net sales revenue[4]	$m	1,431.8	1,287.0	11.3%
Operating EBIT	$m	446.1	413.6	7.9%
Reported EBIT	$m	438.1	391.7	11.8%

Note: Rounding may affect percentage change calculations – correct percentage change shown in table

Volume growth and mix improvement in Australia

The Australian business delivered another strong result, achieving an operating EBIT of $446.1 million, up 7.9% on prior year. Total volumes grew by 4.6% to 731 million litres and net sales revenue increased by 11.3% to $1,431.8 million. Excluding Boag's, beer volumes grew by 0.5%, in a market where volumes were up slightly (0.1% increase in volumes[5]).

Particular brand highlights during the year were the performance of Tooheys Extra Dry which grew by 23% in FY08 marking its second year of growth over 20%. Hahn Super Dry grew by 126% in the thriving "low carb" category.

Innovative marketing campaigns such as the XXXX Retreat and the V8 Supercar sponsorship helped to maintain momentum of XXXX Gold, the Company's largest brand and Australia's second largest beer brand, which increased volume by 3% and revenue by 5%.

Consumers continue to migrate towards low carb, mid strength, step-up and premium beers. This has impacted the mainstream and low-alcohol categories. Tooheys NEW volumes declined slightly as a result whilst revenue levels grew by 2%.

The focus on and investment in innovation has helped to build a stronger portfolio with 10% of net sales revenue coming from recent innovation and new products. During FY08, Barefoot Radler was launched which has successfully attracted non-traditional beer drinkers into the market.

The investment in brands was stepped up in the second half, with two new innovations launched in September, Tooheys NEW White Stag (a mainstream low carbohydrate beer) and the Natural Beer Promise, which provides consumers with a natural choice by guaranteeing that our beers bearing this logo are brewed using five natural ingredients and have no artificial additives or preservatives.

Raw material cost increases were in line with previous estimates and were particularly evident in glass and malt costs. Whilst most of this increase is due to commodity prices and exchange rate impacts, some of the increase is generated by the positive mix shift in the business as consumers move to more premium products which have higher cost of goods. The positioning of these products allows for appropriate recovery of these higher costs and improved margins.

Since acquiring the Boag's business in January, the Boag's brands have contributed 28 million litres in volume and $60.9 million in net sales revenue. The Boag's trademark has grown 6% in volume terms since being integrated into Lion Nathan Australia. The Company has signalled it's commitment to the brand and its Tasmanian provenance in committing $25 million to upgrade the Boag's brewery, increasing capacity and ensuring that all Boag's beers will be brewed in Tasmania. Additionally, the investment in brand spend was upweighted in FY08 to refresh the Boag's trademarks, particularly Boag's Draught. The Boag's business represents a key growth driver for the business in FY09.

From 1 October 2008, McKenna Bourbon and Inner Circle Rum brands are sold in Australia through Bacardi-Lion, the joint venture with Bacardi Martini. The decision was made to consolidate these brands into the existing spirits and ready to drink (RTD) sales team following the imposition of higher tax rates on RTDs in Australia which has impacted upon the category.

The strength of the Australian business has been enhanced through the recent investments that have been made to create great brands, great breweries and great people capability. The results have been particularly pleasing in FY08, with strong performances at both a revenue and profit level. The momentum within the business provides a strong foundation for FY09. The focus for the coming year will be to build on this momentum and deliver the step-up in earnings.

[4] Net of excise and discounts

[5] Company estimate

Australian Segmental continued

PERFORMANCE HIGHLIGHTS

- Net sales revenue up 11.3%
- Operating EBIT up 7.9%
- Volume and revenue growth driven by Tooheys Extra Dry, XXXX GOLD, Hahn Super Dry
- Successful innovation program across core brand portfolio continues to boost performance
- Successful acquisition and integration of the highly compatible Boag's business

BUSINESS DESCRIPTION

Lion Nathan Australia produces, markets, sells and distributes a range of beers from five major breweries (one in each of Sydney, Brisbane, Adelaide, Perth and Launceston), as well as a smaller craft brewery in Sydney.

KEY FACTS

75 percent of Lion Nathan's total assets (excluding Corporate and unallocated assets)

83 percent of Lion Nathan's EBITS (excluding Corporate) (EBIT before one–time, significant items and SGARA)

31 percent EBIT margin (Operating EBIT as a percentage of Net Sales Revenue)

44 percent national volume share in beer (MAT 2008 post Boag's)

1,383 people (full time equivalent)

MAJOR BRANDS

- Tooheys NEW
- Tooheys Extra Dry
- XXXX GOLD
- XXXX BITTER
- Hahn Super Dry
- Hahn Premium Light
- Hahn Premium
- James Squire
- James Boag's Premium
- James Boag's Premium Light
- Boag's Draught
- Boag's Classic Blonde
- Heineken
- Beck's
- West End Draught
- Emu Bitter

New Zealand Segmental

New Zealand results

TWELVE MONTHS ENDED ($M)		30 SEP 08	30 SEP 07	CHANGE
Beer Volume[6]	(millions of litres)	171	171	0.1%
Total NZ Volume[7]	(millions of litres)	189	186	1.6%
Net sales revenue[8]	NZ$m	575.4	584.4	(1.5)%
	A$m	487.2	514.0	(5.2)%
Operating EBIT	NZ$m	90.0	86.7	3.8%
	A$m	76.2	76.3	(0.1)%
Reported EBIT[9]	NZ$m	90.0	121.2	(25.7)%
	A$m	76.2	105.4	(27.7)%

Note: Rounding may affect percentage change calculations – correct percentage change shown in table

Innovation led to growth in volume and EBIT, despite difficult New Zealand market conditions

Operating EBIT from the NZ business grew by 3.8% in NZ dollar terms. Upon translation, this growth was offset by the impact of the weaker New Zealand dollar. On a reported basis, the FY07 EBIT result was inflated by the inclusion of NZ$34.5 million in significant items, including the profit on sale of the Newmarket brewery site. With no significant or one-time items in the FY08, the reported EBIT of NZ$90.0 million, represents a 25.7% decline versus the prior year reported figure.

The NZ beer market proved to be resilient, achieving a small amount of growth (+0.3%[10]) in a year where economic conditions were challenging. Weather conditions also impacted demand. The market benefited from an unusually hot summer which boosted volumes in the first half, but this was offset by an abnormally wet winter. Against this context, LNNZ has performed strongly, achieving domestic beer volume growth ahead of the market at 0.5%. Domestic beer revenue increased 6%. In line with the market, the majority of this growth was achieved in the first half whilst the growth in the second half remained healthy at 2%.

The NZ beer operations grew EBIT by 10.8% as the success of the recent innovation program created a positive mix impact. Brand highlights include Steinlager Pure, which is fast becoming an iconic brand in New Zealand. Steinlager Pure continued its impressive growth, increasing volume by over 300% for the full year and 143% in the second half versus prior year. Assisted by this strong growth, the total premium segment of LNNZ's portfolio grew volume by 29.5% in the financial year. Speight's Summit lager has also performed well, with strong sales and high distribution levels achieved since the beer was launched in June of this year. This contributed to the 3% volume growth in the Speight's trademark during the year.

A long term agreement was signed in July for the continued distribution of Corona in the New Zealand market. This brand has continued to demonstrate growth in both volume and revenue under LNNZ's stewardship.

Wine and Spirits/RTD volumes were well up on prior year at 5.9% and 22.2% respectively. Much of the growth in Spirits/RTDs came from new products in the RTD segment, whilst the Spirits portfolio was impacted negatively by discounted parallel imports on key brands and the loss of distribution contracts for Moet Hennessy.

Whilst the pricing environment in New Zealand remains challenging in some areas, the volume growth across product categories and the success of new products has helped to grow net sales revenue by 3.4% for beer, wine and spirits/RTD for the full year. Once other businesses are included, net sales revenue was down 1.5% from prior year, the major impact being the loss of contracts at CBC, which had a particular impact on second half results.

The construction of the new production facilities at East Tamaki, Auckland are progressing to plan, with the first brew from the new brewery expected in the fourth quarter of calendar 2009. Costs are in line with the original estimates of NZ$250 million and the project is on track for completion in 2011.

In summary, the New Zealand business performed well in FY08 in a highly competitive market and against the backdrop of a challenging economic environment. The return to growth at an operational level has been accomplished through successful innovation and a "one-business" approach covering beer, wine, spirits and RTDs. The business is focused to build on the accomplishments of FY08 and generate a further modest increase in operating EBIT in FY09.

6 Including Lion Nathan International volume

7 Comprising beer, wine, spirits, RTDs and other volume

8 Net of excise and discounts

9 Includes Khyber Pass Brewery sale in FY07

10 Company estimate

New Zealand Segmental continued

PERFORMANCE HIGHLIGHTS

- Operating EBIT growth in NZD terms
- Highly successful launch of Speight's Summit and continued growth of Steinlager Pure
- Volume growth driven by innovation

BUSINESS DESCRIPTION

Lion Nathan New Zealand produces, markets, sells and distributes a leading range of alcoholic beverages including beer from three major breweries (Auckland, Christchurch and Dunedin) as well as two smaller breweries, plus a contract packing company bottling international and local spirits and RTD bands. In addition, the Company distributes a range of owned and agency fine wine brands led by the Wither Hills brand.

KEY FACTS

14 percent of Lion Nathan's total assets (excluding Corporate and unallocated assets)

14 percent of Lion Nathan's EBITS (excluding Corporate) (EBIT before one–time, significant items and SGARA)

16 percent EBIT margin (Operating EBIT as a percentage of Net Sales Revenue)

52 percent national volume share in beer (MAT)

1,002 people (full time equivalent)

MAJOR BRANDS

- Speight's
- Speight's Summit Lager
- Steinlager Classic
- Steinlager Pure
- Lion Red
- Mac's
- Waikato Draught
- Stella Artois
- Corona
- Wither Hills
- Coruba
- Smirnoff

Wine Segmental

Wine results

TWELVE MONTHS ENDED ($M)		**30 SEP 08**	30 SEP 07	CHANGE
Wine Volume (000s of 9 litre cases)[11]		1,473	1,437	2.5%
Net sales revenue[12]	$m	175.2	166.0	5.5%
Operating EBITS[13]	$m	15.8	12.9	22.5%
Reported EBITS	$m	15.8	(6.9)	329.0%
SGARA	$m	0.3	(2.8)	110.7%
Operating EBIT	$m	16.1	10.1	59.4%
Reported EBIT	$m	16.1	(9.7)	266.0%

Note: Rounding may affect percentage change calculations – correct percentage change shown in table

Improving operating EBITS of Wine despite lower than expected sales to the US

The Wine business grew operating profit pre SGARA by 22.5% in the financial year to deliver an EBITS of $15.8 million. This was achieved despite lower than anticipated sales to the US market, which was adversely impacted by the sale of distributor, Beam Wine Estates, to Constellation brands in November 2007. In June, Lion Nathan acquired Cumulus Wines US, a small US based wine distributor, since renamed Lion Nathan USA. This wholly owned subsidiary now provides the route to market in the United States for all Lion Nathan wine brands alongside selected agency brands.

Lion Nathan Wine volumes were up 2.5% overall, with lower than expected sales to the USA, particularly in the second half, offset by a strong performance by the Fine Wine Partners business in Australia.

The Wine business has successfully reduced costs through recent efficiency projects, vineyard management and improved capacity utilisation. This was particularly visible in the second half as the lower COGS of more recent vintages flowed through the result.

Much of the focus in FY08 has been on aligning the cost model and developing and securing appropriate routes to market for the Lion Nathan wine brands in individual markets. This has resulted in a significant improvement in operating profit performance for the year. The business remains focussed on growth; however prevailing economic conditions in all key markets are likely to soften demand for wine. As a result, Lion Nathan Wine is targeting a similar operating EBIT in FY09.

[11] External sales only (excludes sales to Lion Nathan New Zealand)

[12] Net of excise and discounts

[13] Earnings before interest tax and SGARA

Wine Segmental continued

PERFORMANCE HIGHLIGHTS

- Net sales revenue up 5.5%
- Operating EBITS up 22.5%
- Strong growth in Australian market
- Acquisition of a US small distribution business in July 2008

BUSINESS DESCRIPTION

Lion Nathan Wine produces some of Australasia's finest wines from South Australia, Victoria, Western Australia and the Marlborough region in New Zealand. It also owns the Argyle winery in Oregon, USA. The Group also distributes a portfolio of fine wines from a wider Australian and New Zealand geography as well as from renowned wine regions in France, Italy and South Africa.

KEY FACTS

11 percent of Lion Nathan's total assets (excluding Corporate and unallocated assets)

3 percent of Lion Nathan's EBITS (excluding Corporate) (EBIT before one–time, significant items and SGARA)

9 percent EBIT margin (Operating EBITS as a percentage of Net Sales Revenue)

462 people (full time equivalent)

MAJOR BRANDS

- Petaluma
- Croser
- Wither Hills
- St Hallett
- Argyle
- Preece
- Bridgewater Mill
- Knappstein
- Stonier
- Tatachilla
- Smithbrook
- Mitchelton

Financial Review and Balance Sheet

Financial summary[14]

TWELVE MONTHS ENDED ($M)		30 SEP 08	30 SEP 07	CHANGE
Earnings per share[15]	(cents)	51.2	50.2	2.0%
Return on capital employed	(%)	11.7	13.1	(1.4)pp
Total annual ord. dividend per share	(cents)	42.0	40.0	5.0%
Franking	(%)	100.0	100.0	–

Earnings per share (pre significant items) increased 2.0% to 51.2 cents per share, excluding shares held by the Lion Nathan Achievement Rights Trust. Return on capital employed has decreased by 1.4 percentage points. The return on capital employed is impacted by the Company's investment phase, the benefits of which will be seen in future results. In addition, these measures have been impacted by the acquisition of Boag's in 2008, which increased the capital employed whilst also diluting earnings in year one with only nine months of trading performance included in the results. The Boag's business is expected to be earnings accretive in FY09. Excluding Boag's, EPS increased by 6.6% to 53.5 cents per share and ROCE was consistent with prior year at 13.1%.

The Board has declared a final dividend of 22 cents per share, an increase of 4.8%. It will be payable on 15 January 2009 based on a record date of 19 December 2008 and will be fully franked. The total annual dividend was 42 cents per share, up 5.0% on total ordinary dividends in 2007 and in line with the Company's dividend payout ratio. Based on projected tax payments, it is expected that dividends will continue to be fully franked for the foreseeable future.

Total tax payments increased by $86.4 million during the year. The effective tax rate for the group in FY08 was 30.1%, slightly above the Australian statutory tax rate mainly due to the impact on non-deductible expenses. This compares to 30.2% in FY07 once significant items are excluded.

Net debt & interest cover

TWELVE MONTHS ENDED ($M)		30 SEP 08	30 SEP 07	CHANGE
Bank overdraft & short term borrowings		4.5	24.2	(19.7)
Current portion of non-current debt		49.9	45.4	4.5
Total current debt		**54.4**	**69.6**	**(15.2)**
Non-current debt		1,501.8	959.8	542.0
Gross debt		**1,556.2**	**1,029.4**	**526.8**
Less cash		(45.3)	(6.9)	(38.4)
Net debt before derivatives		**1,510.9**	**1,022.5**	**488.4**
Debt derivatives[16]		118.3	210.3	(92.0)
Net Debt		**1,629.2**	**1,232.8**	**396.4**
EBITDA (pre significant items)		592.3	565.4	26.9
Net interest expense (pre significant items)		(108.7)	(89.6)	(19.1)
Key ratios (pre significant items)				
Net Debt to EBITDA	(times)	2.8	2.2	0.6 times
EBITDA interest cover[17]	(times)	5.1	6.3	–1.2 times

Net debt increased during the year, to provide funding for the acquisition of Boag's and in response to capex investment requirements.

The robustness of Lion Nathan's business model and balance sheet, proved to be attractive to lenders and the Company was able to secure $1.5 billion of new debt facilities during the year, of which approximately $1 billion replaced existing facilities which were maturing.

Key debt coverage ratios remain well within debt covenants and investment grade parameters. The Company's robust earnings and cash flow and positive outlook resulted in Standard & Poors upgrading the Company's debt rating to BBB in May 2008 (from BBB-).

Net interest expense increased due to the additional funding levels (to facilitate the Boag's acquisition) and a slightly higher average interest rate. This increase is partially offset by the unwinding of the discount relating to the sale of the Newmarket Brewery, which resulted in $7.0m of interest income in the year.

14 Pre significant items

15 Calculated using total number of shares on issue less shares held by the Lion Nathan Achievement Rights Trust

16 Fair value of cross currency interest rate swaps used to hedge the Group's US Private Placement (USPP) debt liabilities

17 Excluding the impact of the unwinding of the discount relating to the sale of the Auckland Brewery

Financial Review and Balance Sheet continued

Capital expenditure

Capital expenditure of the group increased in 2008 to $251.9 million, reflecting the investments that are being made particularly in brewing facilities in Queensland, New South Wales and Auckland. The expenditure is at the lower end of previous estimates due to the deferral of cash outflows from FY08 to FY09.

The total projected Auckland Brewery Project expenditure remains at NZ$250 million as previously advised and the majority of this is expected to be incurred in FY09. The upgrade to the Boag's brewery in Tasmania remains on track and within budget ($25 million). These two projects are expected to give rise to a second year of higher capital expenditure spending levels, with indicative estimates for FY09 of between $225 million and $275 million depending on the timing of contract payments.

Cash flow

TWELVE MONTHS ENDED ($M)		**30 SEP 08**	30 SEP 07	$ CHANGE
NPAT		272.7	282.1	(9.4)
Depreciation & amortisation		93.3	93.0	0.3
Loss/ (Profit) on disposal of non-current assets		0.4	(38.0)	38.4
Divestments & write-down of investments and other non-current assets		–	31.3	(31.3)
Net change in tax balances		3.7	(61.8)	65.5
Change in working capital		(21.4)	(6.5)	(14.9)
Other		(0.4)	(1.6)	1.2
Net operating cash flow		**348.3**	**298.5**	**49.8**
Cash realisation ratio[18]	(%)	97.4	93.0	4.4pp

Operating cash flow contributed $348.3 million, up $49.8 million or 16.7% on the prior year. The impact of the improved operating result was partially offset by increased interest payments, due to additional funding requirements for the Boag's acquisition.

Investing cash flows increased to net $550.4 million due to the acquisition of J Boag & Son Pty Limited and impacted by the increase in capital expenditure to overhaul key components of the group's brewery assets.

Financing activities contributed a net $242.0 million, driven by the net proceeds from borrowings of $467.9 million, partially offset by dividend payments of $218.4 million.

The cash realisation ratio increased 4.4 percentage points to 97.4%.

Exchange rate translation

Lion Nathan converts its New Zealand earnings into Australian dollars at the monthly weighted average exchange rate for the period which was NZ$1.181 (NZ$1.137 for 2007 – up 3.9%). New Zealand investments are converted into Australian dollars at the period end exchange rate which was NZ$1.193 (NZ$1.165 at 30 September 2007 – up 2.4%).

Outlook

The Company continues its strategy of pursuing sustainable long term growth through investment in brands, breweries and people to deliver shareholder value. The investments that have been made over the last three years have built a stronger business. As such, whilst economic conditions are volatile at present and the new financial year will be challenging, the Company remains confident of an earnings step up in FY09, and has set a guidance range of $300 - $315 million NPAT (pre significant and one-time items).

Further Project Invest savings, the first full year of Boag's, brand innovation and profit growth in the core business are all expected to contribute to generate the Company's step up in earnings.

Despite an uncertain economic environment, the Company prides itself on its simple operating model. Demand for our core product, beer, remains stable and underpins the Company's robust earnings and cash flow. Measured growth, disciplined capital management and an eye to always invest for the long term support the sustainability of the business. This is further enhanced by our great people and great brands.

[18] Operating cash flow as a percentage of after-tax cash earnings (calculated before ISI)

Group Leadership Team

Group Leadership Team continued

From left to right…

ANDREW REEVES

Managing Director, Lion Nathan Australia

Andrew Reeves was appointed Managing Director of Lion Nathan Australia in August 2002 and Executive Director of Lion Nathan Limited in 2004. Prior to joining Lion Nathan, Andrew was Managing Director of Coca-Cola Amatil. With over 25 years experience in leading Australian food and beverage companies, he has an intimate understanding of the workings of FMCG companies.

ROB MCKENZIE

Group Technical and Operations Director

Rob McKenzie was appointed Group Technical & Operations Director in April 2004. In this role Rob leads teams across Technical, Supply, Logistics and Environmental areas and also has strategic overview of total group Operations. Rob first joined Lion Nathan in November 1993 and has held a number of senior operational and supply chain roles within the beer, wine and spirit businesses. He has extensive industry experience with over 25 years in the brewing and malting industry, both in Australia and the United Kingdom.

PETER KEAN

Managing Director, Lion Nathan New Zealand

Peter Kean's career with Lion Nathan began in 1986 when he joined the Speight's Brewery in Dunedin as a Sales Executive. In his first ten years with the Company, he held a number of sales-related roles including National Director of Sales – a role that saw Peter and his family move to Auckland. In 2003 Peter was appointed Managing Director of Lion Nathan Wines and Spirits and in March 2005, leadership of Lion Breweries was added to his portfolio of responsibilities. In 2003 Peter attended Harvard University in Boston, USA to complete the Program for Management Development.

ANTHONY ROBERTS

General Manager, Wine Group

Anthony Roberts was appointed General Manager of the Wine Group in October 2006 after having been the Finance Director for nearly three years. Anthony has over 14 years of wine industry experience in various commercial, financial and operational roles with Lion Nathan, having moved into the wine business from the brewing business, and previously with Yalumba Wines. Anthony is a Chartered Accountant having started his career with Deloitte.

JAMIE TOMLINSON

Chief Financial Officer

Jamie Tomlinson became Chief Financial Officer in May 2003. As CFO Jamie leads group functions in finance and accounting, strategy, tax, treasury, shared services, audit and risk management, investor relations, information technology and corporate development. Jamie has 24 years experience in the brewing and soft drink industries and prior to taking over as CFO, Jamie was Finance Director of Lion Nathan's Australian beer business. Jamie has a degree in Finance and Accounting and he has completed a Management Development program at Harvard Business School.

ROB MURRAY

Chief Executive Officer

Rob Murray was appointed Chief Executive Officer for Lion Nathan on 1 October 2004 and was appointed to the Board of Lion Nathan in September 2002. Since joining the Company, Rob has worked to position Lion Nathan to become Australasia's leading alcoholic beverage company with brands in beer, fine wine, spirits and RTDs. Rob was formerly Chief Executive Officer of Nestle Oceania where he was responsible for a business with revenues in excess of $2 billion, 5,500 employees and 14 factories. He has extensive knowledge of fast moving consumer goods, and sales and marketing having worked for Procter and Gamble and Spillers Petfoods.

DUNCAN MAKEIG

General Counsel and Company Secretary

Duncan Makeig was appointed General Counsel and Company Secretary of Lion Nathan in June 2001. In this role he is responsible for Lion Nathan's listing and governance obligations and the corporate legal activity of the Group's operations in beer, spirits and RTDs across Australia and New Zealand. Duncan was previously Senior Vice President and General Counsel for Tricon Restaurants International based in Dallas, Texas and General Counsel for PepsiCo Australasia/Africa.

BOB BARBOUR

People and Culture Director

Bob Barbour, who hails from Scotland but is now a fully paid-up Australian, joined Lion Nathan in October 1992 as HR Director for the Australian business. He was promoted five years later to People & Culture Director (then Group HR Director) for the Lion Nathan Group. Prior to joining Lion Nathan Bob worked for Courage Ltd and Grand Metropolitan (now part of Diageo) in the brewing industry in the UK. On graduating from Aston University in the UK he joined the Ford Motor Company for five years before moving on to Bristol Myers for four years.

Left column: Geoff Ricketts, Glenn Barnes, Peter Bush, Hirotake Kobayashi, Koichi Matsuzawa.
Right column: Fumio Miki, Robert Murray, Andrew Reeves, Gavin Walker, Barbara Ward.

Directors' Statutory Report

Directors' statutory report

The Directors of Lion Nathan Limited present their report of the consolidated entity, being Lion Nathan Limited and its controlled entities ("Lion Nathan"), for the financial year ended 30 September 2008.

Directors

Details of the Directors of Lion Nathan Limited between 1 October 2007 and the date of this report, including the period of their appointment, their qualifications, experience, special responsibilities and details of their current directorships and directorships for the past 3 years of other listed companies are set out below.

GEOFF RICKETTS

LLB (Hons),FInstD, Age 62
Chairman, Independent Non–executive Director

Mr Geoff Ricketts was appointed Chairman of Lion Nathan Limited in August 2001. He was appointed to the Board of Lion Nathan Limited in June 1988. Mr Ricketts is Chairman of the Strategy Committee, member of the Audit, Finance and Risk Committee and the Leadership, Nomination and Remuneration Committee.

Experience
Mr Ricketts has been closely associated with the recent history of Lion Nathan and he brings to the Board considerable group institutional knowledge and also experience in commercial law, mergers and acquisitions and board governance.

Directorships of other listed companies – current
Spotless Group Limited (1996 –), Taylors Group Limited (1992 –), Suncorp Metway Limited (2007 –), Southern Cross Building Society (2007 –)

Directorship of other listed companies – past three years
Promina Group Limited (2003 – 2007),

Other
Russell McVeagh (Consultant), The University of Auckland Foundation (Chairman of Trustees), Board of New Zealand Catholic Education Limited (Chairman), Catholic Diocese of Auckland Administration Board (Member)

Residence
Auckland, New Zealand

GLENN BARNES

B Ag Sc (Melb) CPM FAMI FAIM FAICD SF Fin FRSA, Age 61
Independent Non–executive Director

Mr Glenn Barnes was appointed to the Board of Lion Nathan Limited in March 2001. He is a member of the Strategy Committee and Chairman of the Leadership, Nomination and Remuneration Committee.

Experience
Mr Barnes was involved in the packaged goods, banking and financial services sectors for over 30 years, as both an executive and director in Australia, New Zealand, the United Kingdom, United States of America, Republic of Ireland, Japan and China.

Directorships of other listed companies – current
Ansell Limited (2005 –)

Directorships of other listed companies – past three years
National Foods Limited (2004 – 2005), Veda Advantage Limited (Chairman) (2002 – 2007)

Residence
Melbourne, Australia

PETER BUSH

B.Econ, Age 57
Independent Non–executive Director

Mr Bush was appointed to the Board of Lion Nathan Limited in September 2005 and is a member of the Strategy Committee.

Experience
Mr Bush is currently Managing Director/CEO for McDonald's Australia and was the architect behind the turnaround of the McDonald's Australia business. He has an extensive background in fast moving consumer goods having worked at Johnson and Johnson, Unilever, Reckitt & Coleman and Arnotts.

Directorships of other listed companies – current
Nil

Directorships of other listed companies – past three years
Nil

Other
Ronald McDonald House Charities Board (Member)

Residence
Sydney, Australia

HIROTAKE KOBAYASHI

Non-executive Director, Age 60

Mr Kobayashi joined the Lion Nathan Limited Board on 14 February 2008.

Experience
Mr Kobayashi joined the Kirin Group in April 1977. Mr Kobayashi has previously been a director of the Company, during the period from 1998 to 2002. Since his retirement from his previous directorship with the Company, he has held various financial and accounting roles within the Kirin Group. His current role is Executive Officer, General Manager, Strategic Planning Department, Kirin Holdings Company Limited. Mr Kobayashi holds a Bachelor's Degree of Economics from Keio University and has participated in the Program for Management Development at Harvard Business School.

Directorships of Other Listed Companies – Current
San Miguel Corporation

Directorships of Other Listed Companies – Past 3 Years
Nil

Other
National Foods Limited (Director)

Residence
Tokyo, Japan

KOICHI MATSUZAWA

Non–executive Director, Age 54

Dr Matsuzawa was appointed to the Lion Nathan Limited Board on 14 February 2008.

Experience
Dr Matsuzawa joined the Kirin Group in April 1973 and has had significant experience in Production and Operations. His current role is Managing Director & Representative Director, Kirin Holdings Company Limited and previous roles have included General Manager of the Production Department of Kirin Brewery Company Limited, General Manager of the Hokuriku Plant of the Kirin Brewery Company Limited and Chief Executive Officer of Kirin Europe. He is also a director of San Miguel Corporation. Dr Matsuzawa holds a Doctor's Degree of Agriculture from Hokkaido University.

Directorships of Other Listed Companies – Current
San Miguel Corporation

Directorships of Other Listed Companies – Past 3 Years
Nil

Other
National Foods Limited (Director)

Residence
Saitama, Japan

FUMIO MIKI

B.Com, PMD Business Course (Harvard), Age 46
Non–Executive Director

Mr Fumio Miki was appointed as a director on 27 March 2007. He was also appointed an Alternate Director for Dr Koichi Matsuzawa and Mr Hirotake Kobayashi on their appointment to the Lion Nathan Limited Board in February 2008. Mr Miki is also a member of the Strategy Committee, Audit, Finance and Risk Committee and Leadership, Remuneration and Nomination Committee.

Experience
Mr Miki joined Kirin Holdings Company Limited in 1985. During his career he has gained a wealth of experience in the beer markets and soft drink markets, particularly strategic planning and execution and has held various senior positions including Manager, Corporate Planning Department of Kirin Brewery, Manager, Corporate Planning Department of Kirin Beverage Corporation and most recently CFO, Kirin International.

Directorships of Other List Companies – Current
Nil

Directorships of Other List Companies – Past 3 Years
Nil

Residence
Sydney, Australia

Directors' Statutory Report continued

ROB MURRAY

BA Hons Economics, MA Hons (Cantab), Age 45
Chief Executive Officer, Executive Director

Mr Rob Murray was appointed Chief Executive Officer on 1 October 2004 and was appointed to the Board of Lion Nathan in September 2002. He is a member of the Strategy Committee.

Experience
Mr Murray was formerly Chief Executive Officer of Nestle Oceania where he was responsible for a business with revenues in excess of $2 billion, 5,500 employees and fourteen factories. He has extensive knowledge of fast moving consumer goods, sales and marketing having worked for Procter & Gamble and Spillers Petfoods.

Directorships of other listed companies – current
Nil

Directorship of other listed companies – past three years
Nil

Other
Wenona School (Director)

Residence
Sydney, Australia

ANDREW REEVES

B.Econ, Advanced Management Program (Harvard), Age 53
Executive Director

Mr Andrew Reeves was appointed to the Board of Lion Nathan Limited in April 2004. He is a member of the Strategy Committee.

Experience
Mr Reeves is currently Managing Director of Lion Nathan Australia and has responsibility for a business with revenues in excess of $1 billion. Mr Reeves was previously Managing Director of Coca–Cola Amatil Limited and Managing Director of The Smiths Snack Food Company.

Directorships of other listed companies – current
Nil

Directorships of other listed companies – past three years
Nil

Residence
Sydney, Australia

GAVIN WALKER

B.C.A, Age 56
Independent Non–executive Director

Mr Gavin Walker was appointed to the Board of Lion Nathan Limited in March 2000. He is a member of the Strategy Committee and Chairman of the Audit, Finance and Risk Committee.

Experience
Mr Walker has had a long career in investment banking, having previously been Chief Executive of Bankers Trust Australia Investment Bank and a member of the Business Council of Bankers Trust Company in New York.

Directorships in other listed companies – current
Goodman Fielder Limited (2007 –), BT Investments Management (2007 –), Southern Cross Building Society (2007 –)

Directorships in other listed companies – past three years
Veda Advantage Limited (2000 – 2007), Zintel Group Limited (2002 – 2007)

Residence
Auckland, New Zealand

BARBARA WARD

B.Econ M.Pol Econ, Age 54
Independent Non–executive Director

Ms Barbara Ward was appointed to the Board of Lion Nathan Limited in February 2003. She is a member of the Strategy Committee and Audit, Finance and Risk Committee.

Experience
Ms Ward has experience in policy development and public administration as a senior ministerial adviser and experience in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services.

Directorships in other listed companies – current
Country Energy Limited (Chairman) (2001 –), Qantas Airways Limited (2008 –)

Directorships in other listed companies – past three years
Commonwealth Bank of Australia Limited (1994 – 2006), Multiplex Limited (2003 – 2007), Allco Finance Group Limited (2005 – 2008).

Other
Sydney Opera House Trust (Trustee)

Residence
Sydney, Australia

KOICHIRO ARAMAKI

B.Ag.Chem, M.Sc., PHD BioSc. Age 68
Non–executive Director

Dr Aramaki was appointed to the Board of Lion Nathan Limited in March 2005. Dr Aramaki resigned from the Lion Nathan Limited Board on 14 February 2008.

Experience
Dr Aramaki has had a long and distinguished career with Kirin Holdings Company Limited since joining in 1964. He was instrumental in the establishment of Kirin's pharmaceutical business where he held the position of General Manager. During his tenure in the pharmaceutical business, Dr Aramaki was appointed a Director, Managing Director and Senior Managing Director of Kirin Brewery Company and was appointed President in 2001. Dr Aramaki has extensive technical skills within the food processing, alcoholic beverage and pharmaceutical industries.

Directorships of other listed companies – current
Kirin Holdings Company Limited (1995 –), The Kirin Welfare Foundation (2003 –), The Coca–Cola Bottling Company of Northern New England, Inc. (2005 –).

Directorships of other listed companies – past three years
Nil

Other
Chairman, Brewers Association of Japan, Director Japan Spirits & Liquor Makers Association, Vice President The Kirin Welfare Foundation

Residence
Tokyo, Japan

MUNECHIKA YOKOMIZO

B.Com, PMD Business Course (Harvard) Age 50
Non–executive Director

Mr Yokomizo was appointed to the Lion Nathan Limited Board in April 2007. Mr Yokomizo resigned from the Lion Nathan Limited Board on 14 February 2008.

Experience
Mr Yokomizo joined Kirin Holdings Company Limited in 1982 and throughout his career he has gained a wealth of experience in the beer soft drink markets, particularly in marketing, and has held various senior positions including Manager, Corporate Planning Department of Kirin Brewery, Manager, Corporate Planning Department of Kirin Beverage Corporation and most recently CEO, Kirin MC Danone Waters, Limited, which is Kirin's strategic JV with Group Danone of France in mineral water business.

Directorships of Other Listed Companies – Current
Kirin China Investment Company Limited (2004 –)

Directorships of Other Listed Companies – Past 3 Years
Nil

Residence
Kanagawa, Japan

Company Secretary

DUNCAN MAKEIG

LLB, F.C.I.S, Age 48

Mr Duncan Makeig was appointed General Counsel and Company Secretary of Lion Nathan Limited in June 2001. In this role Mr Makeig is responsible for Lion Nathan's listing and governance obligations and the corporate legal activity of the Group's operations in beer and wine across Australia and New Zealand.

Mr Makeig was previously Senior Vice President and General Counsel for Tricon Restaurants International based in Dallas, Texas and General Counsel for PepsiCo Australasia/Africa.

Directorships of Other Listed Companies – Current
Nil

Directorships of Other Listed Companies – Past 3 Years
Nil

Other
Sydney Children's Hospital (Director)

Residence
Sydney, Australia

Directors' Statutory Report continued

Officers who were previously partners of the audit firm

No officer of the Company at any time during the year was a partner in an audit firm, or a director of an audit company, that is an auditor of the Company for the year.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Board committees) held during the financial year ended 30 September 2008 and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 7 Board meetings, 5 Audit, Finance and Risk Committee meetings, 5 Leadership, Nomination and Remuneration Committee meetings and 11 Strategy Committee meetings were held.

	LION NATHAN BOARD [1]		AUDIT, FINANCE & RISK COMMITTEE		LEADERSHIP NOMINATION & REMUNERATION COMMITTEE		STRATEGY COMMITTEE [2]	
NAME	HELD [3]	ATTENDED [4]	HELD [3]	ATTENDED [4]	HELD [3]	ATTENDED [4]	HELD [3]	ATTENDED [4]
K Aramaki [5]	2	2						
GLL Barnes [7]	7	7			5	5	11	10
P Bush	7	5					11	5
H Kobayashi [8]	5	5						
K Matsuzawa [9]	5	5						
F Miki [10]	7	7	5	5	5	4	11	10
RA Murray	7	7					11	11
AM Reeves	7	6					11	10
GT Ricketts [11]	7	7	5	5	5	5	11	11
GR Walker [12]	7	7	5	5			11	9
BK Ward	7	7	5	5			11	11
M Yokomizo [6]	2	2						

[1] 1 Meeting convened at short notice.

[2] 6 Meetings convened at short notice.

[3] Meetings held while a Director, Alternate Director or member of a Board committee.

[4] Meetings attended in person or through an Alternate Director (as set out below) while a Director, Alternate Director or member of a Board Committee.

[5] Resigned on 14 February 2008. Attended 1 Board meeting in person and 1 through his Alternate Director on 14 February 2008.

[6] Resigned14 February 2008. Attended 1 Board meeting in person and 1 through his Alternate Director on 14 February 2008.

[7] Chairs Leadership, Nomination & Remuneration Committee.

[8] Appointed Director of Board on 14 February 2008. Attended 2 Board meetings in person and 3 through his Alternate Director on 19 May 2008, 27 August 2008 and 16 September 2008.

[9] Appointed Director of Board on 14 February 2008. Attended 2 Board meetings in person and 3 through his Alternate Director on 19 May 2008, 27 August 2008 and 16 September 2008.

[10] Appointed Alternate Director for H Kobayashi and K Matsuzawa on 14 February 2008. Attended 2 Board Meetings as Alternate Director. Attended 7 Board Meetings as Director.

[11] Chairs Board and Strategy Committee.

[12] Chairs Audit, Finance & Risk Committee.

Directors' Statutory Report continued

Information about operations and activities

Review of operations and results

Lion Nathan recorded a 4.2% increase in operating net profit after tax (NPAT) to $278.3 million for the twelve months to 30 September 2008.

After adjusting for the impact of one-time items (OTIs) and individually significant items (ISIs), a reported NPAT of $272.7 million was achieved. This includes the one-time costs associated with the acquisition of J Boag & Son Pty Limited (Boag's) of $8 million ($5.6 million post tax), in line with previous guidance.

All business units contributed to the strong result, with revenue and earnings growth in Australia, New Zealand and Wine. The results were fuelled by the success of recent new products and increased brand investment, which has translated into volume growth and improved mix. A particular highlight is the beer volume, value and market share growth achieved in Australia and New Zealand.

Strong cash flow remains a key attribute of the Lion Nathan business with a cash realisation ratio of 97.4% in 2008 (up from 93.0% in prior year).

Over the last three years, the Company has increased its investment in brands, breweries and people. In 2008, this investment has resulted in the successful launch of a number of new products including Speight's Summit Lager in New Zealand and, more recently, Tooheys NEW White Stag in Australia. Within both the Australian and New Zealand business units, 10% of net sales revenue in the 2008 financial year was derived from new products and innovations that have been launched in the last three years.

Key components of the brewing infrastructure within the business have been overhauled over the last two years to lower costs and improve flexibility. Major projects at Tooheys and XXXX Castlemaine will be completed in FY09. An upgrade to the Boag's brewery in Tasmania was announced in May, and work has commenced to double the capacity of this brewery to 100 million litres. A new brewery, warehousing and production facility is under construction in East Tamaki, Auckland, to replace the current brewery at Newmarket. This project is on track for completion in 2011 and the first brew is expected to be produced at the new Auckland brewery late in the 2009 calendar year. These projects represent the principal drivers of the increased capital expenditure in 2008. Capital expenditure of $252 million was recorded in 2008, at the bottom end of the Company's guidance range, due to the timing of cash outflows.

Variable input costs increased during 2008 in line with previous guidance. Commodity price increases have been a factor, whilst the consumer trend to premiumisation also impacted upon cost of goods. Guidance of a 5-7% increase in variable input costs is reiterated for 2009.

The Company continues its focused strategy of pursuing sustainable long term growth through investment in brands, breweries and people to deliver shareholder value. Importantly, our customers have also benefited from this approach, with both Lion Nathan Australia and Lion Nathan New Zealand ranked number one for overall satisfaction against their respective competitors[1].

The investments that have been made over the last three years have built a stronger business. As such, whilst economic conditions are volatile at present and the new financial year will be challenging, the Company remains confident of an earnings step up in the 2009 financial year, and has set a guidance range of $300 - $315 million NPAT (pre significant and one-time items) for 2009.

[1] Towers Perrin ISR, LN Customer Engagement Survey 2008

[2] Company estimate

Revenue and earnings growth in each of the three business units

Operating profit from the Lion Nathan Australia business grew by 7.9% to $446.1 million. Volumes grew by 32 million litres, or 4.6% during the financial year to September 2008. Excluding Boag's, beer volume grew by 3 million litres which represents a 0.5% increase, whilst the market grew slightly, increasing volumes by 0.1%[2].

The Boag's business was fully integrated into Lion Nathan systems within 12 weeks of completing the acquisition. Sales of Boag's brands are tracking above the Company's expectations at the time of the acquisition, with the trademark growing volumes by 6% in the second half versus the prior year.

The New Zealand operations performed strongly despite a challenging economic environment. The New Zealand business increased operating profit by 3.8% in NZ dollar terms and grew volumes by 1.6%. In Australian dollar terms, the EBIT was marginally down (-0.1%) due to the impact of the weaker NZD across the year. Steinlager Pure, which was launched midway through the prior financial year, continues its exceptional growth trajectory and is now being exported to Hawaii and Australia. Further innovation success has been achieved through Speight's Summit Lager launched in June of this year.

The Wine business grew operating profit by 22.5% in the financial year to deliver an EBIT pre SGARA of $15.8 million. This was achieved despite lower than anticipated sales to the US market, following the sale of distributor Beam Wine Estates to Constellation brands in November 2007 and the recent transition to a Company owned sales platform. Operating margins continue to improve through cost and vintage management.

Significant changes

In the opinion of the Directors, there have been no other significant changes in the state of affairs of Lion Nathan or in the nature of Lion Nathan's principal activities during the 12 months ended 30 September 2008.

Events after balance date

Subsequent to 30 September 2008 the Company announced that it had entered into discussions with Coca-Cola Amatil Limited ("CCA") regarding a potential merger between Lion Nathan and CCA where Lion Nathan would acquire all of the issued shares in CCA via a scheme of arrangement.

The merger would require the approval of a range of regulatory authorities including the ACCC, the NZCC, the FIRB, and would be subject to other customary conditions for a transaction of this nature. It will also require the support of both Lion Nathan shareholders (in relation to the placement) and CCA shareholders (in relation to the scheme of arrangement) in separate shareholder meetings. There is no certainty that a transaction will proceed. A more detailed summary of the merger proposal is set out in the subsequent event note on page 103.

The Directors are not aware of any other matter or circumstance that has arisen since 30 September 2008 that has significantly affected or may significantly affect Lion Nathan's operations, the results of those operations or Lion Nathan's state of affairs in financial years subsequent to 30 September 2008 that requires disclosure under the company's continuous disclosure obligations.

Directors' Statutory Report continued

Other matters of interest

Strategy Review

The Board is continuing to pursue the corporate strategy adopted in 2005 of focusing on Australasian beer, wines, spirits and RTDs (ready-to-drink alcoholic beverages) brand ownership and distribution. In the event that the discussions with Coca-Cola Amatil Limited ("CCA"), as referenced in the "Events after balance date" section above, lead to a merger being successfully implemented between Lion Nathan and CCA, this corporate strategy will be reviewed.

Likely future developments and results

Likely developments in the operations of Lion Nathan in subsequent financial years and the expected results of those operations are generally covered in Lion Nathan's announcement to the ASX of its financial results in the year ended 30 September 2008 and in related materials published on our website at www.lion-nathan.com. In the opinion of the Directors, disclosure of any further information on likely developments in operations and the expected results of those operations would be unreasonably prejudicial to the interests of Lion Nathan.

Environmental performance

The Lion Nathan Board places a high priority on environmental issues and the Company's commitment to the environment is expressed in its Environmental Policy, which requires best practice performance from its Australian and New Zealand operations based on the following objectives:

- Working to the principles of sustainability;
- Complying with all relevant legislation and regulations;
- Establishing and maintaining environmental management systems in line with best practice;
- Implementing environmental management programmes to continuously improve performance;
- Reducing consumption of natural resources, packaging and materials through waste reduction and minimisation and reusing;
- Reducing greenhouse gas emissions;
- Managing the environmental aspects of our vineyards in a responsible manner;
- Training and encouraging our people to incorporate environmental best practice in work and decision making;
- Contributing to the development of public environmental policy and supporting regulatory body activities; and
- Communicating our commitment to our environmental policies to the public, our employees, suppliers, contractors and other business partners.

The Board is satisfied that adequate systems are in place for the management of the Lion Nathan Group's compliance with applicable environmental regulations under the laws of the Commonwealth, States and Territories. Over the 2008 financial year, Lion Nathan's progress and achievements on environmental matters included:

- No environmental incidents or non-compliances resulting in a material level of harm to the environment;
- Compliance with all applicable environmental regulations and no fines imposed in the year;
- Certification of South Australian Brewing Co to AS/NZS ISO 14001:2004;
- Water consumption per litre of product reduced by 5.6% for the beer & spirits manufacturing business;
- Continuing reduction in energy usage per litre of product of 1.2%;
- Determination of Carbon Footprint for entire corporation;
- Launch of Barefoot Radler, Australia's first certified carbon neutral beer product;
- Inclusion of Lion Nathan in Goldman Sachs, JBWere Climate Leadership Index (CLI) for our 2008 CDP6 response – The CLI includes the top three companies within any industry group that are best positioned to manage climate change risks and capture opportunities;
- Commitment to sustainability of the business with the formation of a dedicated Sustainability Leadership Group and recruitment of a new Sustainability Leader to work on and communicate a consistent approach across the business to environmental and social issues;
- Successful completion of our current three year National Packaging Covenant action plan and development of new action plan for the duration of the Covenant;
- Maintained our Greenhouse Challenge Plus Leadership status for the second consecutive year by successfully completing our action plan and addressing the relevant leadership criteria; and
- Achievement of the Federal Government Energy Efficiency Opportunities Program.

More information on Lion Nathan's commitment to the environment can be found on our website at www.lion-nathan.com.

Dividends

The Company's annual dividend pay-out ratio was 80.6 per cent of after-tax operating earnings for the financial year. A fully franked interim dividend of 20.0 cents per share was paid on 24 June 2008. The Directors have declared a fully franked final dividend of 22.0 cents per share payable on 15 January 2009, based on a record date of 19 December 2008.

Total annual ordinary dividends, comprising the interim dividend and final dividend, increased 5.0% to 42.0 cents per share fully franked.

Directors' Statutory Report continued

Directors' shareholdings

The following table sets out each Director's relevant interests in shares of the Company, or a related body corporate of the Company, as at the date of this report.

	BALANCE 1/10/2007	SHARES ACQUIRED FROM EXERCISE OF ACHIEVEMENT RIGHTS	QUALIFYING ACHIEVEMENT RIGHTS	NET CHANGE OTHER	BALANCE
Specified Directors					
K Aramaki [a]	–	–		–	–
GLL Barnes	10,000	–		–	10,000
PH Bush	–	–		–	–
H Kobayashi [a]	–	–		–	–
K Matsuzawa [a]	–	–		–	–
F Miki [a] –	–		–	–	
RA Murray		550,978		(213,618)	337,360
AM Reeves	44,854	–	34,994	(44,854)	34,994
GT Ricketts	25,000	–		–	25,000
GR Walker	–	–		–	–
BK Ward	–	–		–	–
M Yokomizo [a]	–	–		–	–

[a] Directors are employees of corporate shareholder Kirin Holding Company Limited

Other than as disclosed above, no Director in the Company:

(a) has any relevant interest in debentures or interests in a registered scheme made available by Lion Nathan;

(b) has any rights or options over Lion Nathan shares, debentures or interests in a registered scheme made available by Lion Nathan; or

(c) is a party to or entitled to a benefit under any contracts that confer a right to call for or deliver Lion Nathan shares, debentures or interests in a registered scheme made available by Lion Nathan, except Mr RA Murray and Mr AM Reeves who each participate in the Achievement Rights Plan described in the Remuneration Report and have been allocated Achievement Rights.

Directors' Statutory Report continued

Options

No options over unissued shares or unissued interests were granted between 1 October 2007 and 30 September 2008. There were no outstanding unissued shares or interests under option as at the date of this report. No shares or other interests have been issued between 1 October 2007 and 30 September 2008. Details of the long-term incentive arrangements under the Achievement Rights Plan are included in the Remuneration Report.

Indemnification and Insurance of Directors, Officers and Auditors

In accordance with the Constitution of the Company, the Company has entered into a standard form deed of access, insurance and indemnity with the current Directors of the Company to indemnify them, to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as directors of any company in the Group, except liability to a Group company, liability for a pecuniary penalty order or compensation order under the Corporations Act 2001, and liability arising from conduct involving a lack of good faith. The indemnity is made available to current and former Directors of the Company for a period of seven years from the date of their retirement. To the extent permitted by law, the indemnity covers liability for legal costs.

In addition, in accordance with the Constitution of the Company, persons who are or have been directors or secretaries of any Group company are indemnified, to the maximum extent permitted by law, against personal liability arising from their respective positions within the Group.

In accordance with the Constitution of the Company and the standard form deed of access, insurance and indemnity referred to above, the Company has during the financial year ended 30 September 2008 paid a premium in respect of an insurance policy for the benefit of the Directors and executive officers of the Company and its related bodies corporate. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature of the liability covered by, or the amount of the premium payable under, the contract of insurance.

No claims have been made by any Director or officer of the Company against the Company pursuant to these indemnities.

No indemnities were given or insurance premiums paid for the Company's Auditors between 1 October 2007 and the date of this report.

Non-audit services

During the year, Deloitte Touche Tohmatsu, the Company's Auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the Auditor and in accordance with written advice provided by a resolution of the Audit, Finance and Risk Committee, is satisfied that the provision of non-audit services during the year by the Auditor is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The reasons for the Board being satisfied in this regard are:

- All non-audit services were subject to corporate governance procedures adopted by the Company and have been reviewed by the Audit, Finance and Risk Committee, to ensure they do not impact the integrity and objectivity of the Auditor. All non-recurring services that may be provided by the Auditor are first discussed in advance with the Chair of the Audit, Finance and Risk Committee; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Australian Professional & Ethics Standard 110 (Code of Ethics for Professional Accountants), as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included at the conclusion of this Directors' Statutory Report.

Details of amounts paid or payable to the Auditor of the Company, Deloitte Touche Tohmatsu, and its related practices for both audit and non-audit services provided during the year are outlined in Note 28 to the Financial Statements.

Proceedings on behalf of the Company

No person has applied for leave of the Court under section 237 of the Corporations Act 2001 to bring proceedings on behalf of Lion Nathan or to intervene in any proceedings to which Lion Nathan is a party for the purpose of taking responsibility on behalf of Lion Nathan for all or any part of those proceedings. Lion Nathan was not a party to any such proceedings during the period.

Rounding

Lion Nathan is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

2008 Remuneration Report

The Directors present the Remuneration Report prepared in accordance with Section 300A of the Corporations Act 2001 for the consolidated entity, being Lion Nathan Limited (the "Company") and its controlled entities, for the financial year ended 30 September 2008.

The following persons acted as directors of the company during or since the end of the financial year:

Mr GT Ricketts (Chairman)

Mr GLL Barnes

Mr GR Walker

Ms BK Ward

Mr PH Bush

Mr F Miki

Dr K Aramaki (resigned 14 February 2008)

Mr M Yokomizo (resigned 14 February 2008)

Mr H Kobayashi (appointed 14 February 2008)

Dr K Matsuzawa (appointed 14 February 2008)

Mr RA Murray (Chief Executive Officer)

Mr AM Reeves (Executive Director)

Directors' Statutory Report continued

Remuneration Report continued

The executives referred to below report directly to the CEO and have authority and responsibility for planning, directing and controlling the activities of the Lion Nathan Group, as referred to in the definition of "Key Management Personnel" in AASB 124. This list includes the five group executives who received the highest remuneration for the financial year ended 30 September 2008. In the following sections of this Remuneration Report, these executives will be referred to as "Specified Executives".

Mr JC Tomlinson (Chief Financial Officer)

Mr P Kean (Managing Director Lion Nathan New Zealand)

Mr RP Barbour (People & Culture Director)

Mr DH Makeig (General Counsel & Company Secretary)

Mr RJ McKenzie (Group Technical & Operations Director)

Remuneration policy

Our remuneration policy is used to reinforce our business strategies of creating an achievement culture at Lion Nathan, and of attracting and retaining key talent. We aim to attract and retain people who believe that they can really make a difference. We believe in setting clear goals, encouraging people to keep track of their progress, and enabling everyone (other than the Non-Executive Directors) to earn extra rewards based upon the quality of the results achieved. This policy applies to everyone in our business.

The overall remuneration policy, and its specific application to the CEO and his Group Leadership Team, is overseen by the Leadership, Nomination and Remuneration Committee of the Board ("the Committee"). The Committee is chaired by Glenn Barnes. The other members of the Committee are Geoff Ricketts and Fumio Miki. The Chairman and the other Committee members are all Non-Executive Directors. All other Directors are entitled to attend meetings of the Committee, as non-members.

The role of the Committee is to assist the Board in fulfilling its duties by providing independent and objective review, advice and assistance to the Board and CEO (as appropriate), on matters concerning people and culture within Lion Nathan.

In terms of remuneration and benefits the Committee's accountabilities are to:

- make recommendations to the Board about remuneration and benefit payments for the CEO;
- make recommendations to the Board about remuneration and benefit payments for Non-Executive Directors (including the Chairman of the Board); and
- make recommendations to the Board about policies relating to remuneration and benefits for the CEO and his Group Leadership Team.

In undertaking its role and fulfilling its responsibilities, the following remuneration and benefit matters have been delegated to the Committee by the Board:

- approval of changes in remuneration and benefits packages for the CEO's Group Leadership Team;
- approval of remuneration and benefits packages for new members of the CEO's Group Leadership Team;
- administration of the short-term incentive scheme; and
- administration of the long-term incentive scheme (Achievement Rights Plan) in accordance with the Plan Rules approved by the Board from time to time subject to the following:
  - the Committee will make recommendations to the Board in respect of achievement targets and the assessment of achievement against such targets in respect of the CEO and his Group Leadership Team and the Board will retain the authority to approve the targets and assessments; and
  - the CEO and People & Culture Director will determine the individuals who will be invited to participate, the relevant achievement targets and achievement against these targets for individuals, other than the CEO and his Group Leadership Team, who participate in the Plan.

Remuneration of Non-Executive Directors

The Board regularly reviews and benchmarks Non-Executive Director fees to ensure that the Company is able to attract and retain appropriately qualified Directors. The level of fees are assessed having regard to professional external advice obtained on existing market practices, particularly as they relate to companies similar to Lion Nathan.

During the year to 30 September 2008, the annual fees payable to individual Non-Executive Directors and the Chairman were $150,000 and $375,000 respectively, including superannuation. These fees were within the annual aggregate fee limit of $1,250,000 approved by shareholders at the Company's Annual General Meeting for the financial year ended 30 September 2007.

After benchmarking the Non-Executive Directors' fees against market rates, the Board has approved an increase in the fees payable to the Non-Executive Directors. From 1 October 2008, these fees will be $160,000, including superannuation whilst the fee payable to the Chairman will remain unchanged at $375,000. These fees remain within the current approved annual aggregate fee limit of $1,250,000.

Non-Executive Directors do not receive committee attendance fees nor incentive-based remuneration, and do not participate in share schemes.

On 14 February 2008, Messrs K Aramaki and M Yokomizo resigned as Directors of the Company and were replaced by Messrs K Matsuzawa and H Kobayashi. Messrs K Aramaki, M Yokomizo, K Matsuzawa and H Kobayashi are all directors or employees of Kirin and did not receive any remuneration or other benefits from the Company or its controlled subsidiaries. Their services, together with those of other Kirin people, are made available to the Company pursuant to a Strategic and Management Advice Agreement under which Lion Nathan pays fees to Kirin.

Directors are also entitled to be reimbursed by the Company for reasonable travelling, accommodation and other expenses they may incur whilst travelling to or from meetings of the Directors or Committees of the Board.

Remuneration of Executive Directors and Specified Executives

Lion Nathan's main objective in setting remuneration levels for executives is to attract, recruit, retain and develop people of a high calibre. Details of Lion Nathan's executive remuneration policy are described below. The policy and its application are reviewed by the Leadership, Nomination and Remuneration Committee on an annual basis.

In formulating and applying this remuneration policy, Lion Nathan's key objectives are:

- to motivate and reward the creation of long-term shareholder value by delivering upper quartile total shareholder returns (compared to the ASX 200 and a group of global brewers) over the long term;
- to reinforce a strong achievement oriented environment using incentives based on business results; and
- to attract and retain key executives using competitive remuneration packages, which are generally in the upper quartile of the relevant employment market, to reward upper quartile achievement.

Lion Nathan's executive remuneration policy combines fixed remuneration with achievement related short-term and long-term incentive schemes.

Directors' Statutory Report continued

Remuneration Report continued

The relative proportions of the elements of the Executive Directors' and Specified Executives' remuneration that are fixed and related to on-target achievement are:

	FIXED	SHORT-TERM INCENTIVE	LONG-TERM INCENTIVE	TOTAL INCENTIVE BASED
Executive Directors				
RA Murray	42%	25%	33%	58%
AM Reeves	46%	23%	31%	54%
Specified Executives				
JC Tomlinson	48%	24%	28%	52%
RP Barbour	50%	25%	25%	50%
P Kean	50%	25%	25%	50%
RJ McKenzie	50%	25%	25%	50%
DH Makeig	49%	24%	27%	51%

Fixed remuneration

The terms of employment for all of the Executive Directors and Specified Executives contain a fixed remuneration component. These executives have reasonable flexibility to determine how this is allocated between superannuation, car allowance, product allowance and a monthly salary. The Company uses market survey data, which takes into account the size and complexity of individual roles and Lion Nathan as a company, to determine appropriate remuneration packages for individual roles. Executive remuneration is reviewed annually, with effect from 1 October each year. This review is conducted by the Leadership, Nomination and Remuneration Committee. Our philosophy is to reward achievement for these executives through long-term and short-term achievement based incentive plans. As a result fixed remuneration does not change unless the Committee concludes from a review of competitive data that it has become uncompetitive.

Short-term incentive scheme

Executives have a significant portion of their remuneration at risk via an annual short-term cash incentive scheme. Short term incentives are based on a set percentage of fixed remuneration. The Company believes that short-term incentives should be tied to specific measurable achievement objectives. The Company does not offer stock or options as a part of this short-term incentive scheme.

The short-term incentive scheme for the Executive Directors and Specified Executives is based upon a range of financial and non-financial targets.

The financial targets represent the primary health measures for the business and comprise:

- Lion Nathan Group Net Profit After Tax (NPAT);
- Lion Nathan Group Economic Value Added (EVA), which measures the earnings of the business after deducting a charge for the capital employed in the business; and
- for the Managing Directors of the Business Units: Earnings Before Interest and Tax (EBIT) and EVA for their Business Units.

Non-financial targets typically are derived from appropriate strategy or capability building plans. These targets have been approved by the Board because they are regarded as measurements that are either partially or wholly within the control of the CEO or individual executive and because they have a direct impact on the Company's performance and the long-term health of the business. There will be a maximum of two non-financial targets for each executive.

Directors' Statutory Report continued

Remuneration Report continued

The relative weightings of short-term incentive scheme targets are:

	CEO	MANAGING DIRECTORS	OTHER EXECUTIVES
LN Npat/EVA	50%	20%	50%
Business Unit EBIT(S)/EVA	–	30%	–
Strategic/Capability Target	50%	50%	50%

At the end of each financial year, achievement assessments are conducted by comparing actual results with the targets. An on-target achievement assessment will result in a payment equivalent to 60% of fixed pay for the CEO, and 50% for the Specified Executives, with a possible payment range of a minimum of nil to an estimated maximum of 105% of fixed pay for the CEO, and an estimated maximum of 87.5% of fixed pay for the Specified Executives.

The Leadership, Nomination and Remuneration Committee recommend approval of targets for senior executives at the beginning of each financial year, and achievement assessments at the end of each financial year, to the Board. Targets and achievement assessments for the CEO and his Group Leadership Team must be approved by the Board each year.

The payment range for the financial objectives is from nil to 150% of their weighting. No payment will be made for achievement below 98% of the target for these objectives. A payment of 50% of their weighting will be made at an achievement level of not less than 98% of the target. Payment above 100% of the weighting will only be made if the NPAT/EBIT(S) targets have been exceeded and the EVA target(s) have been achieved.

The payment range for non-financial objectives is from nil to 200% of their weighting.

The tables below represent estimates of the minimum and maximum possible total value of the short-term incentive scheme for the financial year ended 30 September 2008 and the estimates for the next three years.

LION NATHAN LIMITED ANNUAL SHORT-TERM INCENTIVE PAYMENT RANGES FOR THE YEAR ENDED 30 SEPTEMBER 2008

A$	MINIMUM ($'S)	ON TARGET ($'S)	MAXIMUM ($'S)
Executive Directors			
RA Murray	–	960,000	1,680,000
AM Reeves	–	425,000	743,750
Specified Executives			
JC Tomlinson	–	375,000	656,250
P Kean (NZ$)[1]	–	350,000	612,500
RP Barbour	–	260,000	455,000
DH Makeig	–	250,000	437,500
RJ McKenzie	–	210,000	367,500

[1] P Kean's short-term incentive payment range is denominated in New Zealand dollars

LION NATHAN LIMITED ANNUAL SHORT-TERM INCENTIVE PAYMENT RANGES FOR THE NEXT 3 YEARS

A$	MINIMUM ($'S)	ON TARGET ($'S)	MAXIMUM ($'S)
Executive Directors			
RA Murray	–	960,000	1,680,000
AM Reeves	–	425,000	743,750
Specified Executives			
JC Tomlinson	–	375,000	656,250
P Kean (NZ$)[1]	–	350,000	612,500
RP Barbour	–	260,000	455,000
DH Makeig	–	250,000	437,500
RJ McKenzie	–	225,000	393,750

[1] P Kean's short-term incentive payment range is denominated in New Zealand dollars

Directors' Statutory Report continued

Remuneration Report continued

The percentages of the short-term incentive payments to the Executive Directors and the Specified Executives for the year ended 30 September 2008 were:

	% PAID OF TARGET	% FORFEITED
Executive Directors		
RA Murray	133	–
AM Reeves	133	–
Specified Executives		
JC Tomlinson	133	–
P Kean [1]	126.85	–
RP Barbour	133	–
DH Makeig	133	–
RJ McKenzie	128	–

[1] Based in New Zealand dollars

Long-term incentive scheme: Achievement Rights Plan

Description of Plan

The Achievement Rights Plan ("Plan") is an important part of the Company's remuneration policy. The Plan is a leadership incentive plan which is designed to encourage superior achievement and long-term commitment to the Group by the executives and other leaders of the Group who are invited to participate in the Plan.

The Plan operates by giving participants in the Plan the opportunity to acquire Achievement Rights if relevant targets ("Achievement Targets") are met in respect of each financial year ("Achievement Periods"). The CEO and the People & Culture Director set the Achievement Targets for other participants. An Achievement Right is a right to acquire one fully paid ordinary share in Lion Nathan (whether by way of issue or transfer, at Lion Nathan's election). Our current and preferred practice is to purchase shares on-market, which is non-dilutive. The Achievement Targets for the CEO and his Group Leadership Team are set by the Board.

Each participant's Plan runs for three consecutive Achievement Periods. Mr RA Murray has just completed the first Achievement Period of his current Plan. Approval for the issue of securities to Mr RA Murray pursuant to his current Plan was obtained from shareholders at the Annual General Meeting for the financial year ended 30 September 2007. Mr AM Reeves and the other Specified Executives have just completed the second Achievement Period of their current Plans. Approval for the issue of securities to Mr AM Reeves pursuant to his current Plan was obtained from shareholders at the Annual General Meeting for the year ended 30 September 2006.

In addition, the previous terms of participation in the Plan by Mr AM Reeves (as approved by shareholders at the 2004 Annual General Meeting) included the potential grant of additional Achievement Rights based on Mr AM Reeves' performance against additional yearly targets. Those additional targets were achieved for the Achievement Period ending 30 September 2005 and that parcel of 34,994 Achievement Rights became Qualifying Achievement Rights as at 30 September 2008. These vested Achievement Rights, pursuant to Mr AM Reeves participation in the Plan approved by shareholders at the 2004 Annual General Meeting, represents the last Qualifying Achievement Rights pursuant to this Plan. Qualifying Achievement Rights of 44,854 as at 30 September 2007 were exercised during the year.

Achievement Rights Holdings

The Achievement Targets determined by the Board for the financial year ended 30 September 2008 (details of which are set out on page 26) were exceeded. As a result the Executive Directors and the Specified Executives received 125% of their on-target Achievement Rights for the financial year ended 30 September 2008. The Board's decision to grant this year's Achievement Rights was made at the Board meeting on 17 November 2008 when the Company's annual financial results were approved.

Directors' Statutory Report continued

Remuneration Report continued

Details of the Achievement Rights held by the Executive Directors and the Specified Executives are set out in the table below.

LION NATHAN ACHIEVEMENT RIGHTS HOLDINGS (NUMBER)

	BALANCE 1/10/2007	GRANTED DURING THE YEAR AS COMPENSATION	NUMBER OF ACHIEVEMENT RIGHTS EXERCISED DURING THE YEAR	UNVESTED BALANCE 30/9/2008	BALANCE VESTED AT 30/9/2008
Directors					
RA Murray	550,978	168,478	(550,978)	168,478	–
AM Reeves	167,799	76,765	(44,854)	164,716	34,994
Other Key Management Personnel					
PH Kean	32,795	41,274	–	74,069	–
JC Tomlinson	68,805	60,053	–	128,858	–
RP Barbour	39,228	35,326	–	74,554	–
DH Makeig	43,586	38,044	–	81,630	–
RJ McKenzie	32,690	28,533	–	61,223	–
Total	**935,881**	**448,473**	**(595,832)**	**753,528**	**34,994**

LION NATHAN VALUE OF ACHIEVEMENT RIGHTS GRANTED, EXERCISED OR LAPSED DURING THE YEAR ($)

	VALUE OF ACHIEVEMENT RIGHTS GRANTED DURING THE YEAR	VALUE OF ACHIEVEMENT RIGHTS EXERCISED DURING THE YEAR	VALUE OF ACHIEVEMENT RIGHTS LAPSED DURING THE YEAR	TOTAL VALUE OF ACHIEVEMENT RIGHTS GRANTED, EXERCISED AND LAPSED DURING THE YEAR	PERCENTAGE OF TOTAL REMUNERATION FOR THE YEAR THAT CONSISTS OF ACHIEVEMENT RIGHTS
Directors					
RA Murray	1,550,000	4,309,000	–	5,859,000	34.7%
AM Reeves	706,250	331,023	–	1,037,273	32.6%
Other Key Management Personnel					
PH Kean	296,359	–	–	296,359	23.4%
JC Tomlinson	552,500	–	–	552,500	30.7%
RP Barbour	325,000	–	–	325,000	27.3%
DH Makeig	350,000	–	–	350,000	29.0%
RJ McKenzie	262,500	–	–	262,500	26.8%
Total	**4,042,609**	**4,640,023**	**–**	**8,682,632**	

No amount has been paid, or is payable, in relation to these Achievement Rights.

Directors' Statutory Report continued

Remuneration Report continued

Achievement Targets

The Achievement Targets determined by the Board for the Executive Directors and the Specified Executives have been varied in recent years.

The most recent variation in the Achievement Targets was made in November 2006, when the Board approved a combination of an Earnings Per Share (EPS) target and a ROCE hurdle as the most appropriate Achievement Targets for the Plan.

EPS has been chosen by the Board as it is considered to be the primary health measure of the business. The EPS target for the year ended 30 September 2008 (based on EPS before significant items and calculated using the total number of shares on issue, including the shares held by the Lion Nathan Achievement Rights Trust) was 48.4 cents. For the Achievement Period ending 30 September 2008, the stretch EPS target was 50.2 cents and the EPS range minimum was 47.8 cents. The actual EPS for the year was 51.0 cents.

The ROCE hurdle reflects the need to focus on creating value via effective capital management. The ROCE hurdle for the year was 10% and was also exceeded.

A linear sliding scale has also been introduced for the purposes of calculating the number of Achievement Rights that may be granted under the Plan. The sliding scale percentages are:

- 100% if both the ROCE hurdle rate and the EPS target are achieved;
- a maximum of 125% if the ROCE hurdle rate is achieved and a stretch EPS target is achieved (with a linear sliding scale of 100% to 125% where the EPS achieved is between the EPS target and the EPS stretch target); and
- 75% if the ROCE hurdle rate is achieved and the EPS target is above the EPS range minimum (with a linear sliding scale of 75% to 100% where the EPS achieved is between the range minimum and the EPS target).

For the Executive Directors and the Specified Executives, these new Achievement Targets first applied in the Achievement Period ending on 30 September 2008. For other Plan participants, the new targets will apply from the date participants are invited to participate in the Plan for a new set of Achievement Periods.

It is believed that achievement of these targets is the key means by which executives can positively impact Total Shareholder Return (TSR). Our goal remains to deliver long-term (3-5 years) upper quartile returns for shareholders compared to the ASX 200 and a group of global brewers.

Achievement assessments are made on the basis of comparing actual results with the targets.

It is also now a requirement that a mandatory minimum shareholding, equivalent in value to 25% of the participant's fixed pay, must be maintained by the Executive Directors and Specified Executives as a prerequisite to those executives being invited to participate in the Plan for further Achievement Periods. In order to enable a reasonable period for those executives to acquire this shareholding, this prerequisite will be introduced at the time an invitation is made to participate for Achievement Periods commencing on or after 1 October 2009. This requirement that participants must hold shares is viewed as a best practice approach and is underpinned by research demonstrating that companies whose senior executives hold shares (rather than options or rights) deliver superior total shareholder returns compared with those who do not hold shares.

Calculation of Achievement Rights to be granted

To determine the number of Achievement Rights that may be granted to a participant under the Plan, the relevant on target annual benefit value for that Participant is divided by the volume weighted average price **("VWAP")** of the Company's shares traded on the Australian Stock Exchange **("ASX")**.

As approved by shareholders at the 2006 Annual General Meeting, the VWAP for each Achievement Period is now calculated over the ten trading day period commencing after announcement of the Company's annual results for the prior financial year. Accordingly, the VWAP for the Achievement Period ending 30 September 2008 of $9.20 was calculated following the announcement of the financial results for the year ending 30 September 2007. The Board believe this VWAP calculation provides executives with an added achievement incentive as an increase in the Company share price over the relevant Achievement Period will lead to an increase in the value of Achievement Rights they may be granted.

The maximum and minimum possible total value of the Achievement Rights to be granted to the Executive Directors and Specified Executives in future financial years will depend on those executives meeting the Achievement Targets in each year. The tables below represent estimates of the minimum and maximum possible total value of the Achievement Rights Plan for the financial year ended 30 September 2008 and the next three financial years.

LION NATHAN LIMITED ANNUAL LONG-TERM INCENTIVE PAYMENT RANGES FOR THE YEAR ENDED 30 SEPTEMBER 2008

A$	MINIMUM ($'S)	ON TARGET ($'S)	MAXIMUM ($'S)
Executive Directors			
RA Murray	–	1,240,000	1,550,000
AM Reeves	–	565,000	706,250
Specified Executives			
JC Tomlinson	–	442,000	552,500
P Kean (NZ$)[1]	–	350,000	437,500
RP Barbour	–	260,000	325,000
DH Makeig	–	280,000	350,000
RJ McKenzie	–	210,000	262,500

[1] P Kean's long-term incentive payment range is denominated in New Zealand dollars

Directors' Statutory Report continued

Remuneration Report continued

ESTIMATES OF ANNUAL ACHIEVEMENT RIGHTS VALUES FOR THE NEXT 3 YEARS (PER ANNUM)

A$	MINIMUM ($'S)	ON TARGET ($'S)	MAXIMUM ($'S)
Executive Directors			
RA Murray	–	1,240,000	1,550,000
AM Reeves	–	565,000	706,250
Specified Executives			
JC Tomlinson	–	442,000	552,500
P Kean (NZ$)[1]	–	350,000	437,500
RP Barbour	–	260,000	325,000
DH Makeig	–	280,000	350,000
RJ McKenzie	–	225,000	281,250

[1] P Kean's long-term incentive payment range is denominated in New Zealand dollars

Policy on Limiting Exposure to Share Price Risk

In April 2006, the Board's Policy on Share Transactions by Directors and Individuals was amended to include a provision prohibiting directors and employees of the Company from entering into transactions which operate to limit the economic risk of any security holding or shareholding in Lion Nathan. This expressly includes any hedging arrangements or other such transactions in respect of Achievement Rights or rights under other employee share plans.

An express reminder of this prohibition is included in the notification sent to all employees of the opening of the Company's half-year and full-year share trading windows.

TOTAL REMUNERATION OF NON-EXECUTIVE DIRECTORS, EXECUTIVE DIRECTORS AND SPECIFIED EXECUTIVES

The total remuneration paid to Non-Executive Directors, Executive Directors and Specified Executives for the financial years ended 30 September 2008 and 30 September 2007 is summarised in the tables below.

FOR THE YEAR ENDED 30 SEPTEMBER 2008							
	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT		TOTAL
A$	CASH SALARIES AND FEES[1]	SHORT-TERM INCENTIVE SCHEME	NON-MONETARY BENEFITS[2]	SUPER-ANNUATION	ACHIEVEMENT RIGHTS PLAN[3]	PERCENTAGE OF TOTAL RE-MUNERATION	A$
Non-Executive Directors							
GT Ricketts	361,255	–	–	13,745	–	–	375,000
GLL Barnes	150,000	–	–	–	–	–	150,000
GR Walker	137,615	–	–	12,385	–	–	150,000
BK Ward	137,615	–	–	12,385	–	–	150,000
P Bush	137,615	–	–	12,385	–	–	150,000
K Aramaki	–	–	–	–	–	–	–
M Yokomizo	–	–	–	–	–	–	–
H Kobayashi	–	–	–	–	–	–	–
K Matsuzawa	–	–	–	–	–	–	–
F Miki	–	–	–	–	–	–	–
Sub-total Non-executive Directors	**924,100**	**–**	**–**	**50,900**	**–**	**–**	**975,000**
Executive Directors							
RA Murray	1,586,255	1,276,800	36,029	13,745	1,550,000	34.7%	4,462,829
AM Reeves	836,255	565,250	43,971	13,745	706,250	32.6%	2,165,471
Specified Executives							
PH Kean	592,719	375,931	–	–	296,359	23.4%	1,265,009
JC Tomlinson	736,255	498,750	1,300	13,745	552,500	30.7%	1,802,550
RP Barbour	506,255	345,800	1,300	13,745	325,000	27.3%	1,192,100
DH Makeig	486,255	322,500	34,623	13,745	350,000	29.0%	1,207,123
RJ McKenzie	406,255	268,800	28,360	13,745	262,500	26.8%	979,660
Totals	**6,074,350**	**3,653,831**	**145,583**	**133,369**	**4,042,609**	**28.8%**	**14,049,742**

Directors' Statutory Report continued

Remuneration Report continued

FOR THE YEAR ENDED 30 SEPTEMBER 2007							
	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT		TOTAL
A$	CASH SALARIES AND FEES[1]	SHORT-TERM INCENTIVE SCHEME	NON-MONETARY BENEFITS[2]	SUPER-ANNUATION	ACHIEVEMENT RIGHTS PLAN[3]	PERCENTAGE OF TOTAL RE-MUNERATION	A$
Non-Executive Directors							
GT Ricketts	287,203	–	–	12,797	–	–	300,000
N Asano	–	–	–	–	–	–	–
GLL Barnes	125,000	–	–	–	–	–	125,000
F Miki	–	–	–	–	–	–	–
H Oshima	–	–	–	–	–	–	–
K Aramaki	–	–	–	–	–	–	–
M Yokomizo	–	–	–	–	–	–	–
GR Walker	114,680	–	–	10,320	–	–	125,000
BK Ward	114,680	–	–	10,320	–	–	125,000
P Bush	114,680	–	–	10,320	–	–	125,000
Sub-total Non-executive Directors	**756,243**	**–**	**–**	**43,757**	**–**	**–**	**800,000**
Executive Directors							
RA Murray	1,487,203	1,091,250	33,822	12,797	1,505,000	36.4%	4,130,072
AM Reeves	787,203	485,000	40,253	12,797	769,163	36.7%	2,094,416
Specified Executives							
PH Kean	527,704	329,815	17,280	–	298,120	25.4%	1,173,919
JC Tomlinson	737,203	454,687	9,017	12,797	601,717	33.1%	1,815,421
RP Barbour	478,203	282,325	1,300	12,797	343,061	30.7%	1,117,686
DH Makeig	487,203	300,000	7,619	12,797	381,178	32.1%	1,188,797
RJ McKenzie	407,203	257,250	24,778	12,797	285,884	28.9%	987,912
Totals	**5,668,165**	**3,200,327**	**134,069**	**120,539**	**4,184,123**	**–**	**13,307,223**

[1] Executive Directors receive Cash Salaries and do not receive Directors fees.

[2] Non-monetary benefits include where applicable, motor vehicle allowances, and fringe benefit taxes. Amounts exclude insurance premiums paid by the Company in respect of Directors' and Officers' liability insurance contracts, as no reasonable basis for allocation can be determined.

[3] Other benefits includes an allocation of the cost of Directors' and Officers' liability insurance.

Directors' Statutory Report continued

Remuneration Report continued

Remuneration Policy and the Company's Performance

The Leadership, Nomination and Remuneration Committee believes that the above achievement linked remuneration policy is generating the desired outcome. This has been demonstrated by the 8.7% CAGR in NPAT (pre-significant items), 11.6% CAGR in closing share price and 9.2% CAGR in dividends per share over the last five years, and the Total Shareholder Return figures in the table below along with relevant comparators. During the same period in the 2007 financial year, the Company returned $159.9m to shareholders by way of a special dividend payment. In addition, the Company has made significant investment in its breweries, brands and people.

5 YEAR TOTAL SHAREHOLDER RETURN SUMMARY	1 YEAR 1/10/07 – 30/09/08	5 YEAR CAGR 1/10/03 – 30/09/08
Lion Nathan	7.7%	20.1%
ASX 100	(26.2)%	12.5%
Global Brewer Peers (Avg)[1]	(11.3)%	12.3%

[1] Comprised of Fosters, APB, SAB Miller, San Miguel, Molson Coors, InBev, Heineken, Anheuser Busch

An analysis of the past five years' remuneration and performance data demonstrates that achievement assessments for the short-term incentive scheme range from 0% to 144% with most people falling in the 80% to 120% assessment range each year. Both the Executive Directors and the Specified Executives share the same Achievement Targets in their long-term incentive plans. These targets have been achieved in all of the last five years and assessed at 100% for the 2004, 2005 and 2006 years, and 125% for the 2007 and 2008 financial years. The achievement-linked component of remuneration is set out on page 23.

In the current year the Company exceeded its targets for the total business.

5 YEAR SUMMARY	2004 AGAAP	2005 AIFRS	2006 AIFRS	2007 AIFRS	2008 AIFRS	5 YEAR CAGR
Net Sales ($m)	1,841.1	1,757.5	1,845.6	1,967.0	2,094.2	3.4%
EBITA ($m)[1]	423.4	434.5	455.2	472.4	499.0	4.2%
NPAT ($m)[1]	202.7	241.5	259.0	267.2	272.7	8.7%
ROCE (%)[1]	10.0	11.5	12.7	13.1	11.7	4.3%
Core EPS* (cents)[2]	41.7	45.2	48.5	50.0	51.0	5.7%
Dividend per share	0.29	0.32	0.39	0.40	0.42	9.2%
Share price (year end)	7.38	8.39	8.10	9.23	9.27	11.6%
Dividend payout (%)[3]	70	70	80	80	80	

[1] pre significant items

[2] percentage of core EPS pre significant items

[3] calculated using total number of shares on issue (i.e. includes shares held by the Lion Nathan Achievement Rights Trust)

Employment contracts

The Executive Directors and the Specified Executives have ongoing contracts of employment with no fixed terms. All of these contracts contain clauses enabling the contracts to be terminated by either party by the provision of three months' notice. Payment in lieu of notice can be made by the Company.

RA Murray has a termination provision which entitles him to 12 months' fixed pay (including any payment in lieu of notice) in the event that his contract is terminated for reasons other than gross misconduct.

AM Reeves and the Specified Executives have a termination payment entitlement which is equivalent to the greater of six months' fixed pay, or one month's fixed pay per completed year of employment to a maximum of 12 months' fixed pay.

Directors' Statutory Report continued

Declaration

The Chief Executive Officer and the Chief Financial Officer have provided to the Board a written declaration that the 2008 financial statements comply with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and give a true and fair view.

The Directors' Statutory Report is dated 18 November 2008.

Geoff Ricketts
CHAIRMAN

Robert Murray
CHIEF EXECUTIVE OFFICER

Auditor's independence declaration

Dear Board Members

Lion Nathan Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Lion Nathan Limited.

As lead audit partner for the audit of the financial statements of Lion Nathan Limited for the financial year ended 30 September 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

A V Griffiths
Partner
Chartered Accountant

Sydney, 18 November 2008

Corporate Governance

Governance at Lion Nathan

Lion Nathan is committed to best practice corporate governance and processes that will enhance the Company's effectiveness and ensure the appropriate degree of accountability and transparency to shareholders.

Lion Nathan endorses the view that the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations **("ASX Recommendations")** form a sound platform for supporting good corporate governance practices.

Throughout the reporting period for the year ended 30 September 2008, Lion Nathan complied with the ASX Recommendations contained in the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, dated March 2003 except in relation to the recommendation that a majority of the Board be independent Directors. The reasons for having an equal number of independent and non-independent Directors, rather than a majority of independent Directors, are described below.

Lion Nathan will report against the Corporate Governance Principles and Recommendations, 2nd Edition, published in August 2007 from the reporting period for the year ended 30 September 2009. The Company will continue to review and refine its practices in light of the ASX Recommendations and the standards of best practice that develop in the market, consistent with the needs and the circumstances of the Company.

The Company has a corporate governance section on its website to provide more detailed information on the Company's corporate governance. The Board's Charter, the Committees' charters and key policies can be viewed on our website at www.lion-nathan.com.

Role of the Board

Lion Nathan has a formal Board Charter and specific charters for each of its Committees. The charters are summarised below and specify the roles and functions reserved to the Board and its Committees and those delegated to senior executives.

The Board and senior executives consider that the charters are effective in articulating the appropriate role of the Board and the most effective way in which the Board and senior executives should interact. It is intended that the charters will continue to be reviewed on an on-going basis.

The Board is responsible for general oversight of the Company's activities and performance and for setting the Company's overall strategic direction. In delegating responsibility for the day-to-day operation and leadership of the Company to the Chief Executive Officer and his direct reports, the Board has processes and systems in place to ensure that significant issues, risks and major strategic decisions are monitored and considered at Board level. This is designed to allow the Company to operate on a day-to-day basis in a manner which enhances shareholder value and manages risks while seeking to ensure that the interests of shareholders are protected.

The Board's focus is on the creation of long-term shareholder wealth and on ensuring that the Company is run in accordance with best international management and corporate governance practices, appropriate to the needs and development of the Company.

The specific roles of the Board as set out in the Board Charter are:

- overseeing the development of and approving corporate strategy and guiding the implementation of that strategy;
- ensuring the Company has in place appropriate processes for strategic planning, reviewing current strategy and considering alternative strategies;
- delegating responsibility for day-to-day operation and leadership to the Chief Executive Officer assisted by the Chief Executive Officer's direct reports;
- ensuring that the Company has effective processes and systems in place to enable the Board to monitor corporate performance and capabilities and to oversee the management of risk;
- ensuring there is an effective framework to balance the role of leadership in operating the Company and the role of the Board in monitoring, guiding and providing oversight;
- promoting and maintaining corporate values and a culture where transparent and timely information is shared between executives and the Board and where there is opportunity to challenge views, assumptions and beliefs in an environment of trust, respect and openness;
- overseeing the Lion Nathan Group's corporate governance framework; and
- ensuring effective communication with shareholders.

The Board Charter also specifies the accountabilities of the Board.

They include:

- approving the annual operating plans (including objectives, goals and strategies) and regularly reviewing achievement against plan;
- appointing, evaluating and rewarding the Chief Executive Officer and the Chief Executive Officer's direct reports;
- ensuring succession plans are in place for the Chief Executive Officer and the Chief Executive Officer's direct reports and approving such plans;
- approving capital requirements and allocation across the Lion Nathan Group of companies;
- approving capital structure and dividend policy;
- approving half yearly financial reports, full year financial reports and the annual report and related reports to ASX, NZX and regulatory authorities;
- considering management proposals, including material capital expenditure and acquisitions and divestments and providing advice and approvals where appropriate;
- maintaining corporate and Board values to ensure the Company acts with the highest ethical standards and integrity in accordance with all legal and regulatory requirements and otherwise in accordance with those management and governance best practices appropriate to its business;
- approving and monitoring compliance with the material policies of the Company;
- in relation to the oversight of the risk management system, reviewing at least annually the effectiveness of the Company's implementation of that system;

Corporate Governance continued

- ensuring that the Company has effective processes and systems in place to enable the Board to monitor internal culture and customer satisfaction; and
- ensuring a high integrity achievement culture is developed and maintained.

Composition of the Board – independence, experience and expertise

The Board is currently made up of ten Directors. The Constitution of the Company provides that there will be no less than three Directors and does not specify a maximum number of Directors. The Board Charter requires that the role of Chairman and Chief Executive Officer are separate.

Lion Nathan takes the view that the overriding consideration, when determining Board composition, is to ensure that the Company has a Board of Directors who can deliver effective returns to all shareholders. This requires a Board:

- with a proper understanding of and competence to deal with the current and emerging issues of the business; and
- that can effectively review and challenge the performance of management and exercise independent judgment.

The Board is composed of: (a) representatives of the interests of its largest shareholder, Kirin Holdings Company Limited ("Kirin"), which has a 46 percent shareholding in the Company; (b) representatives of the interests of the business and its management; and (c) independent Directors.

The current Board composition is two Executive Directors and eight Non-Executive Directors, five of whom are independent and three of whom are non-independent as they represent the interests of Kirin, the largest shareholder in the Company. The Executive Directors are Mr Rob Murray, the Chief Executive Officer; and Mr Andrew Reeves, Managing Director of Lion Nathan Australia. The independent Directors are Mr Geoff Ricketts (Chairman), Mr Glenn Barnes, Mr Peter Bush, Mr Gavin Walker and Ms Barbara Ward. Dr Koichi Matsuzawa, Mr Hirotake Kobayashi and Mr Fumio Miki are the non-independent Directors representing Kirin. Mr Fumio Miki is also appointed as alternate Director for Dr Matsuzawa and Mr Kobayashi.

The Chairman of the Board under the Constitution also has a casting vote in the case of an equality of votes. The Board considers that this current structure of the Board best meets the needs and circumstances of the Company, having regard to both its shareholding structure and the effectiveness of the composition of the Board.

The Board believes the composition of the Board requires consideration of a number of factors, including the mix in skills, abilities and expertise, the mix in the length of time Directors have had on the Board, as well as experience on other boards, and consideration of the number of independent Directors. It is not the policy of the Company that having a majority of independent Directors should override all other factors, but the general policy of the Company is to seek to have the Board comprised of at least half independent Directors.

On 14 February 2008 Dr Koichiro Aramaki and Mr Munechika Yokomizo resigned as Directors of the Company. On 14 February 2008 Dr Koichi Matsuzawa and Mr Hirotake Kobayashi were appointed as Directors in their place.

The Board considers that each of the individuals on the Board at any time can and do make quality, independent decisions in the best interests of the Company. This is demonstrated by the success of the Company over recent years. The Board reviews the Board's effectiveness, structure and skill mix each year. The contributions of individual Board members are reviewed each year as part of the Board evaluation process which is described below.

The Board has adopted the Lion Nathan Policy on Independence of Directors. Under the Policy a Director is considered to be independent if they are not an executive and are free of any business or other relationship that could materially interfere with the exercise of their unfettered judgment or could otherwise affect their ability to act in the best interests of the Company. In accordance with the Corporations Act 2001 and the Company's Constitution, Directors are required to keep the Board advised of any interests they have that could potentially conflict with the interests of Lion Nathan. The independence of Directors is reviewed on receipt of any such information. The factors in determining independence and the materiality threshold are set out in the Lion Nathan Policy on Independence of Directors which can be viewed on the Company website at www.lion-nathan.com.

The Board does not believe that any Director has served on the Board for a period which could materially interfere with the Director's ability to act in the best interests of Lion Nathan. The Board believes that maintaining flexibility in relation to the appropriate term for each Director allows it to attract and retain Directors with the best possible relevant skills, experience in the alcoholic beverages industry and expertise. In considering length of service, the Board therefore also has regard to the need for some degree of continuity and depth of experience on the Board and the overall composition of the Board.

The term of office for each Director can be found on pages 15 and 16. There is no maximum term for Directors however Directors who have held office (without re-election) past the third annual general meeting following the Director's appointment or for three years or more (whichever is longer) must retire at each Annual General Meeting. If neither of these are applicable, one or more of the Directors who have served office longest without re-election will retire. All the retiring Directors are eligible for-re-election and may be re-elected by resolution at the same Annual General Meeting at which they retire. The Chief Executive Officer is exempt from retirement by rotation and is not counted in determining the number of Directors to retire by rotation. Based on processes developed by the Leadership, Nomination and Remuneration Committee, the Chairman reviews each Director's (other than his own) contribution and the Chairman of the Leadership, Nomination and Remuneration Committee reviews the Chairman's contribution prior to the relevant Director being nominated for re-election. Following such reviews, the Chairman and the Chairman of the Leadership, Nomination and Remuneration Committee (as applicable) make recommendations to the Board in relation to support for the re-nomination of relevant retiring Directors.

As outlined in the 2003 Annual Report, the Board determined that Non-Executive Directors who are first appointed to the Board after 1 October 2003 are no longer entitled to participate in the retirement benefits scheme. In addition, the Board capped the retirement benefits available to those independent Non-Executive Directors who joined the Board prior to 1 October at three times the Director's 2004 fee. This retirement benefit is available to Geoff Ricketts, Glenn Barnes, Gavin Walker and Barbara Ward, subject to the Corporations Act, the ASX Listing Rules and Board discretion in respect of any Director's misconduct or breach of duty.

Corporate Governance continued

Further details of the remuneration policies and the remuneration and benefits of Directors and senior executives of the Company can be found in the Remuneration Report within the Directors' Statutory Report on pages 28 and 29. A summary of attendance by Directors at Board and Committee meetings is included on page 17.

The names, qualifications and relevant skills, experience and expertise of the Directors can be found on pages 15 and 16. As evidenced by this information, the Directors bring to the Board a broad range of experience and expertise.

Appointments to the Board

The Leadership, Nomination and Remuneration Committee provides advice to the Board on the nomination, appointment and remuneration of the Chief Executive Officer and new Directors.

The Board appoints the Chief Executive Officer.

Rather than establish fixed criteria for the appointment of Directors, the Board and the Leadership, Nomination and Remuneration Committee consider the specific skills, experience and expertise required at the time of considering an appointment to the Board and seek to identify a candidate who will contribute to the broad range of skills, experience and expertise required to ensure the effectiveness of the Board. The Leadership, Nomination and Remuneration Committee engages external consultants to assist in the identification of potential candidates for appointment as new Directors, and makes recommendations to the Board.

Where a casual vacancy on the Board arises during the year, the Board, with the assistance of the Leadership, Nomination and Remuneration Committee, endeavours to select the most suitable candidate with the appropriate skills, expertise and experience to ensure a balanced and effective Board. Where the casual vacancy relates to the office of a Director representing Kirin, the Board requests the submission by Kirin of one or more proposed alternative candidates. Any Director appointed during the year to fill a casual vacancy holds office until the next Annual General Meeting and is then eligible for re-election by the shareholders.

New Directors receive a letter of appointment which sets out the key terms and conditions of their appointment. On appointment, Directors are provided with an induction programme which includes visits to key business units of the Company in Australia and New Zealand and one-on-one sessions with members of the senior executive team.

As part of the Board's policy of keeping directors informed of current developments in the business units, venues for Board meetings are rotated on an annual basis as described in more detail below.

Operation of the Board

The Board and its Committees meet regularly to review strategies and operational performance. In addition, Directors receive regular updates from executives on key issues between Board and Committee meetings. In the course of their regular activities, Directors are exposed to a wide cross section of the Company's executives. The Chairman and Chief Executive Officer communicate regularly to discuss issues relating to the business and to set Board agendas.

The Non-Executive Directors meet at least once a year without management present.

The Board has a policy under which individual Directors and Board Committees may obtain independent professional advice in relation to the execution of their duties at the Company's expense. The process for obtaining any such advice requires the relevant Director to notify the Chairman in advance. The Chairman will be provided with a copy of the final advice which may, if appropriate, be circulated to the other Directors.

The Board believes in actively encouraging enhanced Board and management effectiveness. Each year the Chairman, with the assistance of the Leadership, Nomination and Remuneration Committee, reviews the effectiveness of the Chief Executive Officer and the direct reports to the Chief Executive Officer and also reviews the effectiveness of the Board. The review includes a review of the processes of the Board and the Committees of the Board and also covers each Director's (other than the Chairman's own) individual contribution to the Board. The Chairman of the Leadership, Nomination and Remuneration Committee reviews the Chairman's individual contribution to the Board. The tools used by the Chairman and the Leadership, Nomination and Remuneration Committee for this process include the Human Synergistics® Life Styles Inventory ("LSI") tool, which focuses on behaviours. It is the Company's intention to alternate each year between the LSI tool and the Board Effectiveness Survey which is an internally designed questionnaire which focuses mainly on processes. From time to time the Board also uses an external facilitator to review its effectiveness and concurrently benchmark itself against other Boards who are considered to be highly effective.

Committees of the Board

The Board has three Committees with clear defined responsibilities in relation to leadership, nomination and remuneration; audit, finance and risk; and strategy. The Committees facilitate appropriate involvement by Directors, ensure contestability of opinion, and raise the level of interaction between the Board and executives. The role of each Committee is described in more detail below. Membership of each Committee is outlined below and attendance by Directors at Committee meetings is outlined on page 17.

Leadership, Nomination and Remuneration Committee

The Leadership, Nomination and Remuneration Committee comprises the following Directors (a majority of whom are independent, including the Chairman of the Committee):

– Mr Glenn Barnes (Chairman)
– Mr Geoff Ricketts
– Mr Fumio Miki

The Committee must comprise a majority of independent Directors and company executives are not included as members of the Committee, however they are invited to attend meetings where appropriate.

The Board has adopted a formal Charter for the Leadership, Nomination and Remuneration Committee. The Charter specifies that the Committee's primary focus is on recruitment, nomination and appointment; remuneration and benefits; individual and collective contributions; and operating culture of the Board, the Chief Executive Officer and the direct reports to the Chief Executive Officer. The Committee also ensures that a sound approach is taken across the business to developing people and building a high integrity achievement culture.

Corporate Governance continued

The Committee's accountabilities are specified in the Charter and include:

- making recommendations to the Board in relation to the nomination, recruitment, appointment and removal of the Chief Executive Officer and the Company Secretary, the size and composition of the Board and reviewing the induction program for new Directors;
- making recommendations to the Board in relation to the nomination, recruitment and appointment of Directors;
- developing the processes for the Chairman of the Board to undertake the annual review of the Board's collective contributions, and each Director's (other than his own) individual contribution and time commitments as a part of the annual review of the Board and specifically prior to Directors standing for re-election and for the Chairman of the Leadership, Nomination and Remuneration Committee to review the Chairman's individual contribution and time commitments as a part of the annual review of the Board and specifically prior to the Chairman standing for re-election;
- developing and implementing a plan for identifying, assessing and enhancing Director competencies;
- ensuring adequate people development systems are in place to support organisational effectiveness and ensuring processes are in place to develop and maintain a high integrity achievement culture within the Company;
- reviewing the achievements of the Chief Executive Officer and the Chief Executive Officer's direct reports through the Company's achievement review and competency assessment processes;
- ensuring adequate succession plans are in place for Directors (to maintain an appropriate balance of skills, experience and expertise on the Board), the Chief Executive Officer and the Chief Executive Officer's direct reports and make recommendations to the Board about the development of such plans;
- developing, reviewing and recommending to the Board the appropriate structure for the Board; and
- making recommendations to the Board about remuneration and benefit payments for Directors, the Chief Executive Officer and the Chief Executive Officer's direct reports.

Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee comprises the following Directors (the majority of whom are independent, including the Chairman of the Committee):

- Mr Gavin Walker (Chairman)
- Mr Geoff Ricketts
- Ms Barbara Ward
- Mr Fumio Miki

Mr Gavin Walker, the Chairman of the Committee, was previously the Chief Executive of Bankers Trust Australia Investment Bank and has significant financial experience.

The Committee must comprise a majority of independent Directors. The roles of the Chairman of the Board and the Chairman of the Audit, Finance and Risk Committee are kept separate and company executives are not included as members of the Committee, however they are invited to attend meetings where appropriate.

The Board has adopted a formal Charter for the Audit, Finance and Risk Committee. The Charter specifies the Committee's accountabilities which include:

- ensuring the integrity of the Company's financial reporting, including review and oversight of the Company's internal and external financial reporting systems, any changes to accounting or taxation principles or policies and the Company's policies and practices with respect to the release of financial information to the market; reviewing internal and external audit functions, including reviewing audit plans;
- reviewing and overseeing the Company's risk management and internal control systems, in particular, the Company's treasury policies. The Committee seeks to identify any areas of significant business risk and makes recommendations for improvement. It takes responsibility for the oversight of the management of information systems and systems of internal control;
- reviewing and overseeing the management of the Company's systems for compliance with legal and regulatory requirements;
- managing the Company's relationship with external auditors including the appointment, remuneration and services of external auditors, reviewing and monitoring external auditors' qualifications, performance and independence and ensuring rotation of the external audit partner at least every 5 years. The Committee is also responsible for reviewing and monitoring relationships between the Company and the external auditor, including approval of the provision of non-audit services by the external auditor;
- approval of capital expenditure and contractual commitments within defined limits; and
- establishing and monitoring the procedures for confidential complaints regarding accounting and other control matters.

The Committee meets with and receives regular reports from the external and internal auditors concerning any matters arising in connection with the performance of their respective roles, including the adequacy of internal controls. At least annually, the Audit, Finance and Risk Committee meets with the Company's auditors without company executives being present.

The Audit, Finance and Risk Committee ensures that recommendations made by the external and internal auditors and other external advisers are appropriately considered and, where necessary, action is taken to ensure that the Company has appropriate internal control systems in place to manage the key risks identified.

Lion Nathan has rigorous six-monthly reporting processes which are managed by the Audit, Finance and Risk Committee. The Chief Executive Officer and the Chief Financial Officer provide sign off to the external auditors and to the Board in respect of the financial report. In addition, at year end the Chief Executive Officer and the Chief Financial Officer state to the Board that the financial statements are founded on a sound system of risk management and internal compliance and control systems and that these systems, to the extent they relate to financial reporting, are operating effectively in all material respects. This statement is based on an annual control assessment undertaken by the Chief Executive Officer and Chief Financial Officer, facilitated by the Company's internal audit function. This certification does not extend to joint ventures of which Lion Nathan does not have control.

Corporate Governance continued

The Audit, Finance and Risk Committee and the Board confirm:

- the Company's external audit partner will continue to be rotated every five years;
- the Company's external auditors should only provide significant non-audit services with the prior approval of the Audit, Finance and Risk Committee and any non-audit services will be disclosed to shareholders (details of the audit and non-audit fees paid to the Company's external auditors can be found on page 80); and
- the external auditors will meet with the Audit, Finance and Risk Committee at least annually without management present.

Strategy Committee

The Strategy Committee comprises the following Directors (a majority of whom are independent, including the Chairman of the Committee):

- Mr Geoff Ricketts (Chairman)
- Mr Glenn Barnes
- Mr Peter Bush
- Mr Fumio Miki
- Mr Rob Murray
- Mr Andrew Reeves
- Mr Gavin Walker
- Ms Barbara Ward

The Board has adopted a formal Charter for the Strategy Committee which specifies that the Strategy Committee meets during the year to discuss matters such as corporate strategy, business unit strategy, acquisitions, divestments, alliances and major capital expenditure. It then makes recommendations to the Board on matters that require Board approval, and engages the Board in discussion on other matters.

The Committee's accountabilities are specified in the Charter and include:

- in conjunction with the Chief Executive Officer, reviewing and developing corporate strategy for the Company and its businesses for approval by the Board;
- reviewing and advising the Board on major strategic issues, including acquisitions, divestments and alliances;
- reviewing strategic planning, performance review and operational decision making processes;
- advising the Chief Executive Officer on major strategy development; and
- acting as a sounding board for the Chief Executive Officer on strategic issues.

The Committee also meets as required to discuss any transaction which is significant from a strategic perspective.

Share trading

The Board has endorsed a Policy on Share Transactions by Directors and Individuals that specifies the process for Directors and senior executives to deal with Lion Nathan shares. Buying or selling Lion Nathan shares or procuring others to buy or sell Lion Nathan shares, while in possession of non-public price sensitive information, is expressly prohibited. Directors and senior executives are generally prohibited from dealing in Lion Nathan shares other than during specified "trading windows" (30 days after a half-year results announcement and 42 days after an annual results announcement) and all trading by Directors and senior executives must be approved by the Company Secretary. Any hedging of the future value of Lion Nathan shares (or Achievement Rights), or the purchase of any product which operates to limit the economic risk of an individual's holding of Lion Nathan shares (or Achievement Rights), is also prohibited.

The Policy on Share Transactions by Directors and Individuals can be viewed on the Company website at www.lion-nathan.com.

Disclosure

Lion Nathan promotes timely and balanced disclosure of all material matters concerning the Company.

In particular, the Lion Nathan Market Disclosure, Investor and Media Relations Policy sets out policies and procedures designed to ensure compliance with relevant Listing Rules and the Corporations Act 2001; balanced and timely disclosure of information which may affect the price or value of Lion Nathan's securities or influence investment decisions; and information in which shareholders, investors and the market generally have a legitimate interest. The Policy specifies the process for making disclosures to the ASX and the NZX and states that unless required to avoid a false market, Lion Nathan's general policy is to not respond to market speculation or rumours.

The Board has established a Disclosure Committee to oversee compliance with its continuous disclosure obligations. The Disclosure Committee is responsible for:

- ensuring that the Company complies with its Listing Rule and Corporations Act disclosure obligations;
- reviewing and assessing what information will be disclosed and the form of that disclosure;
- implementing reporting processes, controls and guidelines for the release of information; and
- educating Directors and our people within the Company on Lion Nathan's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure to promote compliance with the Policy and the related procedures.

The Disclosure Committee comprises the Chief Executive Officer, Chief Financial Officer, the Investor Relations Director and the General Counsel. On a daily basis, the team leader is the Investor Relations Director who is responsible for co-ordinating the disclosure of information. Significant announcements may be considered by the Board.

The Policy on Market Disclosure, Investor and Media Relations can be viewed on the Company website at www.lion-nathan.com.

Shareholder Relations

The Board is committed to keeping shareholders fully informed of all major developments affecting the Company by:

- preparing detailed half yearly and annual financial reports, and making these available to all shareholders;
- informing shareholders of the key issues affecting the Company;

Corporate Governance continued

- disclosing material developments to the stock exchanges and media as they occur;
- holding an annual general meeting which enables shareholders to ask questions of the Board;
- publishing ASX Releases and performance updates on the Company's website www.lion-nathan.com, thereby giving all shareholders and other interested parties direct access through the Company's website to management's key external presentation material; and
- web-casting important announcements and briefings, including the annual general meeting which is broadcast live.

All shareholders who are unable to attend the annual general meeting are encouraged to communicate issues or ask questions by writing to the Company. The external auditors attend the Company's annual general meeting and are available to answer shareholder questions.

The Company conducts its affairs in such a way as to ensure that there is no differential disclosure of material information. It regularly benchmarks its disclosure policies and practices, and commits significant resources to ensuring that shareholders and other investors have access to the information they require to understand the operations of the Company, and are kept informed of relevant developments in a timely manner.

Risk Oversight and Management

The Company's objective in risk oversight and management is to identify, prioritise and manage risk to support the delivery of sustainable and superior business performance and in so doing promote a risk management culture. A summary of the Company's Policy on Risk Management and Oversight is available on the Company website at www.lion-nathan.com.

The Company faces a range of risks in its business activities. These include (but are not limited to) strategic, market, operational, compliance and financial risks. The framework that has been used to manage these risks and shape the risk management and internal control system is based on the internationally recognised Committee of Sponsoring Organisations of the Treadway Commission ("COSO") model. The risk management framework at Lion Nathan covers a range of formal and informal activities which are used to identify, evaluate, manage and monitor risk across the business. The Company's risk profile is also periodically reviewed and updated via a comprehensive risk identification, assessment and monitoring process that follows the principles of the risk management standard AS/NZS 4360.

The Board is responsible for the oversight of the management of risk as well as for the annual evaluation of the effectiveness of the risk management system. The role of the Audit, Finance and Risk Committee with respect to risk oversight and management is outlined in its Charter which is described above and is available on the Company website. The Group Leadership Team has responsibility for the design, implementation and monitoring of Group-wide policies to mitigate financial and business risks and compliance with legal and regulatory requirements. Business Unit Managing Directors have primary responsibility for the management of risk in their business unit. To assist them with this responsibility, Risk Champions have been identified for each of the key compliance risks areas across the group. Their role is to facilitate the implementation of a proactive and consistent risk management framework that follows the principles of the risk management standard AS/NZS 4360.

Lion Risk Assurance ("LRA") is an integral component of the Company's risk management framework. LRA is an objective function, independent of the business units, that aims to champion a risk management culture in Lion Nathan that promotes the achievement of business objectives. LRA conducts an annual assurance programme of risk reviews and internal audits to achieve coverage of all of Lion Nathan's businesses on a rotational basis. In addition LRA is responsible for an annual evaluation of the implementation of the risk management policy on behalf of the Board.

Values and the Lion Nathan Code of Ethics

The Board actively promotes ethical and responsible decision making. The Board has approved the values developed by the Chief Executive Officer and his Leadership Team which include acting with integrity; passion; achieving together; and being sociable. Our values are an important statement of who we are, what we stand for and what we do as a Company. They help guide our behaviour and the decision making of everyone at Lion Nathan.

To further promote ethical and responsible decision making, the Board has approved the Lion Nathan Code of Ethics. This further guides the conduct of the Chief Executive Officer and all executives in relation to ethical behaviour, and guides compliance with legal and other obligations to legitimate stakeholders.

The Lion Nathan Code of Ethics can be viewed on the Company website at www.lion-nathan.com.

Protection for Company "Whistleblowers"

The Company has established procedures to facilitate the submission and review of complaints from its people regarding contraventions of the Corporations Act 2001 and other legislation, questionable accounting, internal control or auditing matters on a confidential and anonymous basis. These procedures will enable individuals to take their concerns directly to the designated officer or in the case of financial matters, the Chairman of the Audit, Finance and Risk Committee, without fear of victimisation and in the knowledge that there are procedures in place to appropriately investigate their complaints.

The Company's "whistleblower" procedures can be viewed on the Company's website at www.lion-nathan.com.

Insider Transactions

The Board has also adopted a Policy on Insider Transactions, to provide a framework to regulate conflicts of interests in transactions or potential transactions involving participation by senior management, Directors or officers of the Company.

Income Statement

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008		CONSOLIDATED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07
Sales revenue	3	**2,094.2**	1,967.0
Other revenue	3	**50.4**	33.6
Total revenue		**2,144.6**	2,000.6
Other income	4	**4.2**	41.7
Expenses	5	**(1,650.2)**	(1,595.0)
Finance costs	5	**(116.0)**	(101.5)
Share of net profits of associates accounted for using the equity method	15	**7.7**	6.0
Profit before income tax expense		**390.3**	351.8
Income tax expense	8	**(117.4)**	(69.6)
Net profit		**272.9**	282.2
Net profit attributable to minority interests		**(0.2)**	(0.1)
Net profit attributable to members of Lion Nathan Limited		**272.7**	282.1
Basic and diluted earnings per share based on net profit attributable to members of Lion Nathan Limited	30	**51.2 cents**	53.0 cents

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

Balance Sheet

AS AT 30 SEPTEMBER 2008		CONSOLIDATED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07
Current assets			
Cash	9	**45.3**	6.9
Receivables	10	**279.6**	286.4
Inventories	11	**249.6**	220.8
Derivative financial assets	32	**5.2**	1.5
Current tax receivable	8	**–**	1.4
Other	13	**33.6**	27.6
		613.3	544.6
Non-current assets classified as held for sale	14	**13.3**	–
Total current assets		**626.6**	544.6
Non-current assets			
Receivables	10	**89.6**	88.2
Inventories	11	**60.3**	39.9
Equity accounted investments	15	**27.1**	26.3
Derivative financial assets	32	**13.3**	35.3
Property, plant and equipment	16	**934.0**	727.5
Grapevines	17	**34.6**	40.5
Deferred tax assets	8	**17.0**	14.4
Intangibles	18	**1,376.6**	1,092.2
Other	13	**7.4**	11.4
Total non-current assets		**2,559.9**	2,075.7
Total assets		**3,186.5**	2,620.3
Current liabilities			
Payables	19	**415.9**	360.3
Borrowings	20	**54.4**	69.6
Derivative financial liabilities	32	**10.4**	17.3
Current tax payable	8	**23.0**	25.8
Provisions	22	**75.7**	71.5
Total current liabilities		**579.4**	544.5
Non-current liabilities			
Payables	19	**14.2**	4.9
Borrowings	20	**1,501.8**	959.8
Derivative financial liabilities	32	**125.5**	197.1
Deferred tax liabilities	8	**75.8**	74.1
Provisions	22	**11.9**	11.6
Total non-current liabilities		**1,729.2**	1,247.5
Total liabilities		**2,308.6**	1,792.0
Net assets		**877.9**	828.3
Equity			
Parent entity interest			
Issued capital	25	**422.8**	423.1
Reserves	26	**4.7**	9.3
Retained earnings	27	**450.0**	395.7
Total parent equity		**877.5**	828.1
Minority interests	28	**0.4**	0.2
Total equity		**877.9**	828.3

The Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008		CONSOLIDATED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07
Total equity at the beginning of the financial year		**828.3**	748.2
Cash flow hedges:			
Gain/(loss) taken to equity	26	**47.8**	(78.1)
Deferred tax on hedged item	26	**1.3**	(6.9)
Exchange differences on translation of foreign operations	26	**(1.5)**	(4.0)
Net income/(expense) recognised directly in equity		**47.6**	(89.0)
Cash flow hedges:			
Transferred to profit or loss for the year	26	**(52.5)**	100.3
Net profit for the year		**272.9**	282.2
Total recognised income and expense for the year		**268.0**	293.5
Total recognised income and expense for the year is attributable to:			
Members of Lion Nathan Limited		**267.8**	293.4
Minority interests		**0.2**	0.1
Other movements in equity:			
Share based payments	26	**0.3**	(2.0)
Net shares acquired by the Lion Nathan Achievement Rights Trust	25	**(0.3)**	(3.7)
		–	(5.7)
Transactions with equity holders:			
Dividends paid	7	**(218.4)**	(207.7)
Total equity at the end of the financial year		**877.9**	828.3

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008		CONSOLIDATED	
	NOTE	30 SEP $M 08	30 SEP $M 07
Cash flows from operating activities			
Receipts from customers		3,525.9	3,236.4
Payments to suppliers, employees and indirect tax authorities		(2,954.8)	(2,709.8)
Interest received		0.1	0.6
Interest paid		(109.2)	(97.3)
Income taxes paid		(113.7)	(131.4)
Net cash from operating activities		348.3	298.5
Cash flows from investing activities			
Payments for property, plant and equipment and grapevines		(234.8)	(111.2)
(Disposal costs)/proceeds from sale of property, plant and equipment and other non-current assets		(1.0)	48.8
Disposal costs from sale of business[a]		–	(0.2)
Payments to acquire business operations	36	(325.9)	(13.2)
Dividends and distributions from associate entities	15	7.7	5.6
Receipts from/(payments for) investments in associate entities, contractual arrangements and other non-current assets		3.6	(3.1)
Net cash used in investing activities		(550.4)	(73.3)
Cash flows from financing activities			
Proceeds from borrowings		766.7	125.0
Repayments of borrowings		(298.8)	(141.6)
Acquisition of shares by the Lion Nathan Achievement Rights Trust	25	(7.5)	(13.2)
Dividends paid to members of the parent entity	7	(218.4)	(207.7)
Net cash from/(used in) financing activities		242.0	(237.5)
Net increase/(decrease) in cash held		39.9	(12.3)
Cash at the beginning of the financial year		5.4	17.7
Net cash at the end of the financial year	9	45.3	5.4
Reconciliation of net profit attributable to members of Lion Nathan Limited to net cash from operating activities			
Net profit after income tax attributable to members of Lion Nathan Limited		272.7	282.1
Depreciation and amortisation		93.3	93.0
Minority interests' share of profit		0.2	0.1
Loss/(profit) on disposal of non-current assets		0.4	(38.0)
Divestments and write-down of investments and other non-current assets		–	31.3
Other non-cash items		(0.8)	(1.2)
Share of associate entities' net income		(7.7)	(6.0)
Net change in tax balances		3.7	(61.8)
Share based payments expense		7.5	7.5
Increase/(decrease) in non-current provisions		0.4	(2.0)
Movements in working capital net of balances acquired:			
Decrease/(increase) in receivables and other current assets		5.7	(40.9)
(Increase)/decrease in inventories		(43.2)	14.2
Increase in payables and accrued expenses		16.1	20.2
Net cash from operating activities		348.3	298.5

[a] 2007 disposal costs paid relate to the 2006 sale of Yetimo.

Credit facilities are shown in note 21.

There were no material non-cash financing and investing transactions.

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

Income Statement

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008		LION NATHAN LIMITED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07
Other revenue	3	**792.2**	95.4
Total revenue		**792.2**	95.4
Other income	4	**0.1**	282.9
Expenses	5	**(66.4)**	(69.3)
Finance costs	5	**(151.3)**	(126.4)
Profit before income tax expense		**574.6**	182.6
Income tax benefit	8	**44.9**	34.4
Net profit		**619.5**	217.0

The Parent Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet

AS AT 30 SEPTEMBER 2008		LION NATHAN LIMITED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07
Current assets			
Cash	9	**11.1**	0.7
Receivables	10	**107.6**	139.3
Other	13	**2.0**	0.7
Total current assets		**120.7**	140.7
Non-current assets			
Receivables	10	**817.8**	572.1
Other financial assets	12	**2,096.1**	2,089.7
Property, plant and equipment	16	**13.5**	3.8
Deferred tax assets	8	**57.3**	7.2
Intangibles	18	**2.5**	1.3
Total non-current assets		**2,987.2**	2,674.1
Total assets		**3,107.9**	2,814.8
Current liabilities			
Payables	19	**13.7**	14.4
Current tax payable	8	**16.9**	25.5
Provisions	22	**10.5**	8.8
Total current liabilities		**41.1**	48.7
Non-current liabilities			
Payables	19	**1,794.3**	1,894.1
Provisions	22	**0.6**	1.9
Deferred tax liabilities	8	**0.8**	0.1
Total non-current liabilities		**1,795.7**	1,896.1
Total liabilities		**1,836.8**	1,944.8
Net assets		**1,271.1**	870.0
Equity			
Issued capital	25	**422.8**	423.1
Reserves	26	**12.7**	12.4
Retained earnings	27	**835.6**	434.5
Total equity		**1,271.1**	870.0

The Parent Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008		LION NATHAN LIMITED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07
Total equity at the beginning of the financial year		**870.0**	866.4
Net profit for the year		**619.5**	217.0
Total recognised income and expense for the year		**619.5**	217.0
Other movements in equity:			
Share based payments	26	**0.3**	(2.0)
Net shares acquired by the Lion Nathan Achievement Rights Trust	25	**(0.3)**	(3.7)
		–	(5.7)
Transactions with equity holders:			
Dividends paid	7	**(218.4)**	(207.7)
		(218.4)	(207.7)
Total equity at the end of the financial year		**1,271.1**	870.0

The Parent Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008	NOTE	LION NATHAN LIMITED 30 SEP $M 08	30 SEP $M 07
Cash flows from operating activities			
Payments to suppliers and employees		**(65.4)**	(47.5)
Interest received from controlled entities		**49.5**	29.7
Interest paid to controlled entities		**(151.3)**	(126.4)
Income taxes received		**25.6**	26.1
Net cash (used in) operating activities		**(141.6)**	(118.1)
Cash flows from investing activities			
Payments for property, plant and equipment		**(13.0)**	(2.8)
Purchase of additional shares in subsidiaries		**(6.4)**	–
(Disposal costs)/proceeds from sale of business [a]		**–**	(0.2)
Dividends from controlled entities		**575.0**	19.4
Proceeds from/(payments for) investments in associate entities, contractual arrangements and other non-current assets		**0.1**	(4.6)
Net cash from investing activities		**555.7**	11.8
Cash flows from financing activities			
Proceeds from borrowings		**–**	502.2
Repayments of borrowings		**(177.8)**	(175.5)
Acquisition of shares by the Lion Nathan Achievement Rights Trust	25	**(7.5)**	(13.2)
Dividends paid to members of the parent entity	7	**(218.4)**	(207.7)
Net cash (used in)/from financing activities		**(403.7)**	105.8
Net increase/(decrease) in cash held		**10.4**	(0.5)
Cash at the beginning of the financial year		**0.7**	1.2
Net cash at the end of the financial year	9	**11.1**	0.7
Reconciliation of net profit to net cash from operating activities			
Net profit from ordinary activities after income tax		**619.5**	217.0
Depreciation and amortisation		**1.4**	1.3
Dividends received from controlled entities		**(575.0)**	(19.4)
Other non-cash movements in group company balances		**(167.7)**	(46.3)
Divestments and write-down of investments and other non-current assets		**–**	8.6
Writeback of provision against shares in controlled entities		**–**	(282.9)
Other non-cash items		**(0.6)**	(1.4)
Share based payments expense		**5.1**	5.4
(Increase)/decrease in receivables		**(1.0)**	1.9
(Decrease)/increase in payables and provisions		**(4.0)**	6.0
Net change in tax balances		**(19.3)**	(8.3)
Net cash used in operating activities		**(141.6)**	(118.1)

[a] 2007 disposal costs paid relate to the 2006 sale of Yetimo.

Credit facilities are shown in note 21.

There were no material non-cash financing and investing transactions.

The Parent Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Significant accounting policies

Statement of compliance

This general purpose financial report is prepared in accordance with the Corporations Act 2001 and applicable Accounting Standards, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the company and the consolidated entity comply with International Financial Reporting Standards (IFRS).

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

The financial statements were authorised for issue by the Directors on 18 November 2008.

Basis of preparation

The financial report is based on historical cost, except for the revaluation of certain assets and financial instruments.

In the application of AIFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AIFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(A) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(B) Borrowing costs

All borrowing costs are expensed as incurred.

(C) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(D) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, including forward foreign exchange contracts, cross currency swaps and interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operations.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the foreign currency translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Financial Statements continued

1. Significant accounting policies (continued)

(E) Employee benefits

Provision is made for benefits accruing to employees in respect of wages, salaries, bonuses, and compensated absences when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of wages and salaries and other employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, other than defined benefit plans, which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Defined contribution plans
Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plan
The Group has one defined benefit plan in New Zealand which is closed to new members. The current surplus in this fund is recognised in the balance sheet and any changes in the surplus/(deficit) are recognised immediately in profit or loss.

(F) Financial assets

Subsequent to initial recognition, investments in subsidiaries are stated at the lower of cost and recoverable amount in the separate financial statements of the parent.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

(G) Financial instruments issued by the company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

(H) Foreign currency

Foreign currency transactions
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except:

– exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 1(D)); and
– exchange differences net of tax on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations
On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit and loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

(I) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

– where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
– for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(J) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(L).

(K) Grapevines

The Group applies AASB 141 'Agriculture' in valuing its grapevines. In accordance with this standard, owned grapevines are measured at net market value with any change in the net market value during the period recognised in profit and loss. The net market value of harvested grapes, net of picking costs, is recognised in the income statement during the period of harvest. Vineyard operating costs incurred in maintaining the vines as well as any operating lease payments are expensed as incurred.

(L) Impairment of assets

At each reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill cannot subsequently be reversed.

Notes to the Financial Statements continued

1. Significant accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(M) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly in equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. Lion Nathan Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 October 2002 and have therefore been taxed as a single entity from that date. The head entity of the tax-consolidated group is Lion Nathan Limited. The subsidiary members of the tax-consolidated group are identified in note 36.

The entities within the tax-consolidated group have entered into a tax sharing agreement. Under the terms of this agreement, each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from Lion Nathan Limited, generally based on the tax payable by the entity if it was not a member of the consolidated group. Amounts receivable or payable under the tax sharing agreement have been recognised separately by Lion Nathan Limited as amounts receivable from / payable to wholly-owned entities.

UIG Interpretation 1052 'Tax Consolidation Accounting' requires that differences between the current tax liability (or asset) and the amount of any funding amount arising under a tax funding agreement is treated as a contribution by (or distribution to) equity participants. Under the terms of Lion Nathan Limited's tax sharing agreement (which also incorporates its tax funding arrangements), Lion Nathan broadly applies the "stand alone taxpayer" basis for each entity as if it continued to be taxable in its own right. It is considered that the method applied is consistent with the principles established in AASB 112. As a result of the application of this method no tax consolidation contributions by (or distributions to) equity participants are expected to arise.

(N) Intangible assets

Brands

Acquired brands are stated at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Internally generated brands are not recognised on the balance sheet.

The majority of brands are considered to have an indefinite economic life and are not amortised. The carrying value of each recognised brand is subject to annual impairment review and any diminution in the brand family will be recognised immediately in profit or loss.

Any brands that are considered to have a definite life are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the brand's estimated useful life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Notes to the Financial Statements continued

1. Significant accounting policies (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight line basis over their useful lives.

Intangible assets acquired in a business combination
All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Other contractual arrangements
Contractual arrangements are stated at cost less accumulated amortisation and impairment, and are amortised on a straight line basis over the term of the contract.

Computer software
Computer software is stated at cost less accumulated amortisation and impairment, and is amortised on a straight line basis over its useful life.

(O) Inventories

Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined principally on a first in, first out basis and, in the case of manufactured goods, includes direct materials, labour, and production overheads.

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

Work in progress includes materials, and a portion of direct labour and production overhead appropriate to the stage of completion attained.

Harvested grapes are recorded in inventories in the period of harvest at net market value.

(P) Joint ventures

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

(Q) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Lease incentives
In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(R) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(S) Payables

Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(T) Principles of consolidation

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the consolidated entity (the Group), being the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are used in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the difference is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Notes to the Financial Statements continued

1. Significant accounting policies (continued)

The consolidated financial statements include the results of each controlled entity from the date the Group obtains control and until such time as it ceases to control an entity. In preparing these consolidated financial statements all intercompany balances and transactions are eliminated.

(U) Property, plant and equipment

Land and buildings, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of the acquisition.

The cost of assets constructed by the Group includes the cost of all materials used in construction and direct labour on the project. Costs cease to be capitalised as soon as the asset is ready for productive use.

Depreciation is provided on property, plant and equipment and leasehold improvements but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Buildings: 50 years

Plant and equipment: 3 to 30 years, average 15 years

Leasehold improvements: 3 to 10 years, average 7 years.

(V) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Restructuring

Provision for restructuring is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

i) starting to implement the plan; or

ii) announcing its main features to those affected by it.

Onerous contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(W) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Sales are shown net of all trade discounts and are exclusive of both indirect taxes (on beer, wines and spirits) and Goods and Services Tax (GST) collected from customers.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

(X) Rounding

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest tenth of a million dollars and are shown in A$ million.

Lion Nathan Limited is a company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/0100 issued 10 July 1998.

(Y) Share based payments

The Group has a leadership incentive plan whereby participants are invited to apply for Achievement Rights if relevant targets ('Achievement Targets') have been met. An Achievement Right is a right to acquire one fully paid ordinary share in the Company, subject to the participant being employed within the Group at the end of the relevant Achievement Period and subject to the Plan Rules. The Company satisfies its obligations to allocate shares under these arrangements by arranging for a Trust to purchase the shares on market and hold them prior to the allocation to relevant participants. As the financial statements of the Trust are combined into the consolidated Group, any unvested shares in Lion Nathan Limited held by the Trust are treated as a reduction in equity in the company and consolidated financial report.

These share based payments are measured at fair value at the date of grant. Fair value is measured by discounting the expected cash value of shares as they vest, based on historical share price performance.

The fair value of share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a corresponding increase in the share based payments reserve. As employees become entitled to the shares, there is a reduction in the share based payments reserve and a corresponding increase in share capital.

Notes to the Financial Statements continued

1. Significant accounting policies (continued)

(Z) New accounting standards and UIG interpretations

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 October 2007. The impact of these changes is not material. The Group has also adopted AASB 7 'Financial Instruments: Disclosures' in the current period which only impacts on the Group's disclosures in the financial report.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not materially affect any of the amounts recognised in the financial report, but will change the disclosure presently made in relation to the Group and the Company's financial report:

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 101 'Presentation of Financial Statements' – revised standard	1 January 2009	30 September 2010
AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 September 2010
AASB 8 'Operating Segments' – revised standard	1 January 2009	30 September 2010
AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 September 2010
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 September 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the Company, except as footnoted below:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB Interpretation 12 'Service Concession Arrangements'	1 January 2009	30 September 2010
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	30 September 2009
AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction'	1 January 2008	30 September 2009
AASB 3 'Business Combinations' – revised standard *	1 July 2009	30 September 2010
AASB 123 'Borrowing Costs' – revised standard **	1 January 2009	30 September 2010
AASB 127 'Consolidated and Separate Financial Statements' – revised standard	1 July 2009	30 September 2010
AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 September 2010
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 September 2010
AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	1 July 2009	30 September 2010
AASB 2008- 5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 September 2010
AASB 2008- 5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 September 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 September 2010

* AASB 3 'Business Combinations' introduces significant change, including; a greater emphasis on the use of fair value; introducing further volatility in the income statement - transaction costs, changes in the value of contingent consideration, settlement of pre-existing contracts, share-based payments and similar items will generally be accounted for separately from business combinations; and focusing on changes in control as a significant economic event - introducing requirements to remeasure interests to fair value on gaining or losing control and recognising all transactions between controlling and non-controlling shareholders whilst control is retained, directly in equity. The changes would be applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 July 2009, but can be adopted earlier. As a result of this Standard, the accounting policies of the Group will change and are expected to be initially applied in the financial year ending 30 September 2010.

** AASB 123 'Borrowing Costs' eliminates the option available under the previous version of the Standard to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset (subject to scope exclusions), the revised Standard requires that they be capitalised as part of the cost of that asset. The changes would be applicable prospectively, or an entity may designate an earlier date from which to capitalise borrowing costs in relation to all qualifying assets. As a result of this Standard, the accounting policies of the Group will change and are expected to be initially applied in the financial year ending 30 September 2010.

Notes to the Financial Statements continued

2. Segment information

BUSINESS SEGMENT INFORMATION

12 MONTHS TO 30 SEPTEMBER 2008	AUSTRALIA $M	NEW ZEALAND $M	WINE $M	CORPORATE $M	INTER-SEGMENT ELIMINATION $M	CONSOLIDATED $M
External sales revenue	1,431.8	487.2	175.2	–	–	2,094.2
Inter-segment sales	–	6.1	12.2	–	(18.3)	–
Total sales revenue	1,431.8	493.3	187.4	–	(18.3)	2,094.2
Other revenue	32.6	7.1	3.3	7.4	–	50.4
Total segment revenue	1,464.4	500.4	190.7	7.4	(18.3)	2,144.6
Share of net profits of associates accounted for using the equity method	7.7	–	–	–	–	7.7
Profit/(loss) before interest and income tax	438.1	76.2	16.1	(31.4)	–	499.0
Net interest expense						(108.7)
Profit before income tax expense						390.3
Income tax expense						(117.4)
Net profit for the year						272.9
Net profit attributable to minority interests						(0.2)
Net profit attributable to members of Lion Nathan Limited						272.7
Segment assets	2,313.9	441.0	325.7	75.3	–	3,155.9
Unallocated assets						30.6
Total assets						3,186.5
Segment liabilities	(341.5)	(113.6)	(23.2)	(40.3)	–	(518.6)
Unallocated liabilities						(1,790.0)
Total liabilities						(2,308.6)
Equity accounted investments	27.1	–	–	–	–	27.1
CAPEX (excluding business acquisitions)	139.0	87.4	12.5	13.0	–	251.9
Depreciation and amortisation	61.2	24.2	6.5	1.4	–	93.3
Other non-cash expenses	1.4	1.3	(0.1)	3.9	–	6.5

The Group's principal activities are the production, marketing and distribution of premium alcoholic beverages. Its principal operations are in Australia and New Zealand, however some of its beer and wine brands are distributed globally. Net interest expense and borrowings have not been allocated across segments as the financing function of the Group is centralised. Other unallocated assets and liabilities relate to tax balances and financial assets and liabilities.

Notes to the Financial Statements continued

2. Segment information (continued)

BUSINESS SEGMENT INFORMATION

12 MONTHS TO 30 SEPTEMBER 2007	AUSTRALIA $M	NEW ZEALAND $M	WINE $M	CORPORATE $M	INTER-SEGMENT ELIMINATION $M	CONSOLIDATED $M
External sales revenue	1,287.0	514.0	166.0	–	–	1,967.0
Inter–segment sales	–	3.6	10.3	–	(13.9)	–
Total sales revenue	1,287.0	517.6	176.3	–	(13.9)	1,967.0
Other revenue	23.4	7.7	1.8	0.7	–	33.6
Total segment revenue	1,310.4	525.3	178.1	0.7	(13.9)	2,000.6
Share of net profits of associates accounted for using the equity method	6.0	–	–	–	–	6.0
Profit/(loss) before interest, income tax and significant items	413.6	76.3	10.1	(27.6)	–	472.4
Significant items	(21.9)	29.1	(19.8)	(7.1)	–	(19.7)
Profit/(loss) before interest and income tax	391.7	105.4	(9.7)	(34.7)	–	452.7
Net interest expense*						(100.9)
Profit before income tax expense						351.8
Income tax expense*						(69.6)
Net profit						282.2
Net profit attributable to minority interests						(0.1)
Net profit attributable to members of Lion Nathan Limited						282.1
Segment assets	1,886.3	354.1	299.4	29.0	–	2,568.8
Unallocated assets						51.5
Total assets						2,620.3
Segment liabilities	(291.7)	(97.2)	(27.5)	(35.2)	–	(451.6)
Unallocated liabilities						(1,340.4)
Total liabilities						(1,792.0)
Equity accounted investments	26.3	–	–	–	–	26.3
CAPEX (excluding business acquisitions)	87.1	13.4	7.3	2.8	–	110.6
Depreciation and amortisation	54.8	30.1	6.8	1.3	–	93.0
Other non–cash expenses*	11.5	24.6	21.1	–	–	57.2

* Includes significant items. Refer to note 6 for details on the nature of individually significant items.

The Group's principal activities are the production, marketing and distribution of premium alcoholic beverages. Its principal operations are in Australia and New Zealand, however some of its beer and wine brands are distributed globally. Net interest expense and borrowings have not been allocated across segments as the financing function of the Group is centralised. Other unallocated assets and liabilities relate to tax balances and financial assets and liabilities.

Notes to the Financial Statements continued

2. Segment information (continued)

GEOGRAPHICAL SEGMENT INFORMATION

12 MONTHS TO 30 SEPTEMBER 2008	AUSTRALIA $M	NEW ZEALAND $M	CONSOLIDATED $M
Sales revenue	1,593.3	500.9	2,094.2
Other revenue	32.6	17.8	50.4
Total segment revenue	1,625.9	518.7	2,144.6
Share of net profits of associates accounted for using the equity method	7.7	–	7.7
Profit before interest and income tax	414.0	85.0	499.0
Net interest expense			(108.7)
Profit before income tax expense			390.3
Income tax expense			(117.4)
Net profit for the year			272.9
Net profit attributable to minority interests			(0.2)
Net profit attributable to members of Lion Nathan Limited			272.7
Segment assets	2,618.0	537.9	3,155.9
Unallocated assets			30.6
Total assets			3,186.5
Segment liabilities	(400.8)	(117.8)	(518.6)
Unallocated liabilities			(1,790.0)
Total liabilities			(2,308.6)
Equity accounted investments	27.1	–	27.1
CAPEX (excluding business acquisitions)	161.7	90.2	251.9
Depreciation and amortisation	67.3	26.0	93.3
Other non-cash expenses	1.2	5.3	6.5

The Group's principal activities are the production, marketing and distribution of premium alcoholic beverages. Its principal operations are in Australia and New Zealand, however some of its beer and wine brands are distributed globally. Net interest expense and borrowings have not been allocated across segments as the financing function of the Group is centralised. Other unallocated assets and liabilities relate to tax balances and financial assets and liabilities.

Notes to the Financial Statements continued

2. Segment information (continued)

GEOGRAPHICAL SEGMENT INFORMATION

12 MONTHS TO 30 SEPTEMBER 2007	AUSTRALIA $M	NEW ZEALAND $M	CONSOLIDATED $M
Sales revenue	1,440.9	526.1	1,967.0
Other revenue	25.9	7.7	33.6
Total segment revenue	1,466.8	533.8	2,000.6
Share of net profits of associates accounted for using the equity method	6.0	–	6.0
Profit before interest, income tax and significant items	387.9	84.5	472.4
Significant items	(48.4)	28.7	(19.7)
Profit before interest and income tax	339.5	113.2	452.7
Net interest expense*			(100.9)
Profit before income tax expense			351.8
Income tax expense*			(69.6)
Net profit for the year			282.2
Net profit attributable to minority interests			(0.1)
Net profit attributable to members of Lion Nathan Limited			282.1
Segment assets	2,115.1	453.7	2,568.8
Unallocated assets			51.5
Total assets			2,620.3
Segment liabilities	(351.2)	(100.4)	(451.6)
Unallocated liabilities			(1,340.4)
Total liabilities			(1,792.0)
Equity accounted investments	26.3	–	26.3
CAPEX (excluding business acquisitions)	95.3	15.3	110.6
Depreciation and amortisation	61.2	31.8	93.0
Other non-cash expenses*	33.7	23.5	57.2

* Includes significant items. Refer to note 6 for details on the nature of individually significant items.

The Group's principal activities are the production, marketing and distribution of premium alcoholic beverages. Its principal operations are in Australia and New Zealand, however some of its beer and wine brands are distributed globally. Net interest expense and borrowings have not been allocated across segments as the financing function of the Group is centralised. Other unallocated assets and liabilities relate to tax balances and financial assets and liabilities.

Notes to the Financial Statements continued

3. Revenue

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Sales revenue				
Sale of goods	**2,094.2**	1,967.0	–	–
Other revenue				
Dividends from controlled entities	–	–	**575.0**	19.4
Interest – from controlled entities	–	–	**49.5**	29.7
– from other parties	**0.3**	0.6	–	–
– from unwinding of discount on receivable[a]	**7.0**	–	–	–
Royalties	**0.6**	2.4	–	–
Management fee from controlled entities	–	–	**167.7**	46.3
Other revenue	**42.5**	30.6	–	–
Total other revenue	**50.4**	33.6	**792.2**	95.4
Total revenue	**2,144.6**	2,000.6	**792.2**	95.4

4. Other income

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Net gain on disposal of property, plant and equipment[b]	–	38.0	–	–
Foreign exchange gains (net) – at amortised cost	**1.6**	–	**0.1**	–
Writeback of provision against shares in controlled entities	–	–	–	282.9
Other income	**2.6**	3.7	–	–
Total other income	**4.2**	41.7	**0.1**	282.9

[a] Receivable from sale of the Auckland Brewery in 2007.

[b] 2007 included $37.2m profit on sale of the Auckland Brewery. Refer to note 6.

Notes to the Financial Statements continued

5. Expenses

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	30 SEP $M 08	30 SEP $M 07
Expenses classified by function				
Cost of sales	1,014.4	955.0	–	–
Sales and marketing costs	360.4	329.1	–	–
Distribution costs	87.3	82.7	–	–
Finance and administration costs	107.7	92.6	54.2	50.2
Other expenses	80.4	135.6	12.2	19.1
Total expenses	1,650.2	1,595.0	66.4	69.3
Finance costs				
Interest expense to controlled entities	–	–	151.3	126.4
Interest expense to others	115.9	101.4	–	–
Finance lease finance charges	0.1	0.1	–	–
Total finance costs	116.0	101.5	151.3	126.4
Included within expenses are the following:				
Depreciation				
Buildings	7.7	7.9	–	–
Plant and equipment	60.9	56.4	0.5	0.6
Total depreciation	68.6	64.3	0.5	0.6
Amortisation				
Computer software	7.9	6.6	0.9	0.7
Contractual arrangements	16.8	22.1	–	–
Total amortisation	24.7	28.7	0.9	0.7
Operating lease and rental payments	26.5	24.6	1.8	1.6
Employee benefit expense				
Post employment benefits:				
Defined contribution plans	12.3	11.2	1.6	1.5
Defined benefit plans	4.0	1.8	–	–
Share based payments	7.5	7.5	5.1	5.4
Termination benefits	7.5	14.6	–	1.0
Other employee benefits	238.3	219.7	32.1	28.3
Total employee benefit expense	269.6	254.8	38.8	36.2
Net decrements arising from the write–down of non–current assets:				
– property, plant and equipment	–	16.2	–	–
– other intangibles	–	0.2	–	–
– goodwill	–	10.4	–	–
– other non–current assets	0.9	1.7	–	–
– investment in controlled entity	–	–	–	5.0
Inventory write–downs and other losses	1.5	7.8	–	–
Net decrement in the net market value of picked grapes	0.5	3.6	–	–
Net increment in the net market value of grapevines	(0.8)	(0.8)	–	–

Notes to the Financial Statements continued

6. Individually significant items

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Profit after income tax includes the following income and expenses whose disclosure is relevant in explaining the financial performance of the entity:				
LNFA Tax Audit [a]				
Interest expense on bad debt deductions disallowed (included in finance costs)	–	(11.3)	–	–
Loss before income tax	–	(11.3)	–	–
Release of provision recognised in prior financial years (included in income tax expense)	–	20.8	–	–
Profit after income tax	–	9.5	–	–
Sale of Auckland Brewery [b]				
Proceeds	–	112.5	–	–
Land and buildings sold	–	(48.7)	–	–
Disposal costs and asset write–downs	–	(26.6)	–	–
Profit before income tax (included in other income)	–	37.2	–	–
Income tax benefit	–	10.8	–	–
Profit after income tax	–	48.0	–	–
Project Invest [c]				
Write–down of assets to recoverable amount	–	(16.9)	–	–
Restructure and rationalisation provisions	–	(22.9)	–	(7.1)
Loss before income tax (included in other expenses)	–	(39.8)	–	(7.1)
Income tax benefit	–	12.2	–	2.1
Loss after income tax	–	(27.6)	–	(5.0)
Review of Australian Wine Group Carrying Value [d]				
Goodwill write–down	–	(10.1)	–	–
Inventory write–down	–	(6.0)	–	–
Trade receivables write–down	–	(1.0)	–	–
Loss before income tax (included in other expenses)	–	(17.1)	–	–
Income tax benefit	–	2.1	–	–
Loss after income tax	–	(15.0)	–	–
Total significant items before income tax	–	(31.0)	–	(7.1)
Total income tax benefit	–	45.9	–	2.1
Total significant items after income tax	–	14.9	–	(5.0)

(a) LNFA Tax Audit

During the 2007 financial year, the Australian Taxation Office concluded an audit of Lion Nathan Finance (Australia) Pty Limited (a wholly-owned subsidiary of Lion Nathan Limited) in relation to the deductibility of bad debts incurred funding Australian subsidiaries of Lion Nathan Limited. Amended assessments were issued in January 2007 in respect of bad debt deductions claimed in the 2000 and 2002 financial years. The primary tax and general interest charge assessed were fully provided for in prior financial years. A provision surplus of $9.5m was released in the 2007 financial year.

(b) Sale of Auckland Brewery

The Auckland Brewery site was sold on 26 September 2007 for NZ$162.0m (A$137.8m). NZ$50.0m (A$42.5m) was received in September 2007 with the balance payable on exit from the site (expected to be in 2011). This amount is secured by first mortgage. These proceeds have been discounted to the cash price equivalent which results in a net present value of NZ$132.3m (A$112.5m). Lion Nathan is leasing back the current site until it relocates to a new brewery in Auckland. This leaseback is rent free for the first 4 years, with rent applying from the 5th year if Lion Nathan has not exited the site by this time. Included in the disposal costs are NZ$8.0m (A$6.8m) of restructure and relocation costs.

The capital gain on the sale of the land and buildings is not assessable for income tax purposes. A tax benefit has been recognised on deductible costs in relation to the exit from the site.

Notes to the Financial Statements continued

6. Individually significant items (continued)

(c) Project Invest

In 2007, these significant items represented a number of restructure initiatives and write–downs across the Group as part of Project Invest. The restructure costs primarily relate to restructuring at the Tooheys and Castlemaine XXXX breweries as a result of major plant upgrades, restructure costs to align and right size the New Zealand business for changes to New Zealand's multi–beverage operating model and costs relating to rationalising the number of entities in Lion Nathan's group structure. The asset write–downs primarily relate to write–downs taken in the Australian and New Zealand beer businesses to fixed assets that are either being replaced or upgraded with the view to lifting business and operating efficiency.

(d) Review of Australian Wine Group Carrying Value

In 2007, a write–down of the Australian Wine Group carrying value arose due to an increase in the pre–tax discount rate used to discount future cashflows from 12.5 per cent to 13.0 per cent and planned changes in the business model that contributed to a higher level of capital intensity than previously estimated in the valuation model. This was driven by higher international sales (with associated longer credit terms) and changing product mix to higher margin brands (with higher inventory holdings and lower stock turns).

7. Dividends and franking credits

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Dividends				
Recognised amounts				
Interim dividend [a]				
– fully franked @ 30%	**106.5**	101.2	**106.5**	101.2
Final dividend paid in respect of prior financial year				
– fully franked @ 30%	**111.9**	106.5	**111.9**	106.5
Total recognised dividends	**218.4**	207.7	**218.4**	207.7
Unrecognised amounts				
Final dividend [b]				
– fully franked @ 30%	**117.2**	111.8	**117.2**	111.8
Total unrecognised dividends	**117.2**	111.8	**117.2**	111.8
Franking credits				
Franking account balance at the end of the financial year	**129.9**	119.7	**128.9**	118.8
Franking credits which will arise upon payment of current income tax	**16.6**	25.3	**16.7**	25.2
Franking credits available for the next financial year [c]	**146.5**	145.0	**145.6**	144.0

[a] For shares on issue as at 6 June 2008 an interim dividend of A$0.20 per share (2007: A$0.19 per share), franked to 100% at the corporate tax rate of 30% was paid on 24 June 2008.

[b] For shares on issue as at 19 December 2008 a final dividend of A$0.22 per share (2007: A$0.21 per share), franked to 100% at the corporate tax rate of 30% will be paid on 15 January 2009. The 2008 final dividend has been calculated using the number of shares at 30 September 2008 (532,578,055).

[c] Franking debits of $50.4m (2007: $48.1m) will be used upon payment of final dividend in respect of ordinary shares for the year ended 30 September 2008.

Notes to the Financial Statements continued

8. Income tax

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
(a) Income tax recognised in profit or loss attributable to continuing operations				
Tax expense/(income) comprises				
Current tax expense/(income)	**116.0**	93.2	**(1.3)**	(33.3)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**1.4**	(23.6)	**(43.6)**	(1.1)
Total tax expense/(income)	**117.4**	69.6	**(44.9)**	(34.4)

The prima facie income tax expense on pre–tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from continuing operations	**390.3**	351.8	**574.6**	182.6
Income tax expense calculated at 30%	**117.1**	105.5	**172.4**	54.8
Impairment of assets	**–**	3.1	**–**	–
Writeback of provision against shares in controlled entities	**–**	–	**–**	(84.9)
LNFA tax audit	**–**	(17.4)	**–**	–
Sale of Auckland Brewery	**–**	(21.7)	**–**	–
Non–assessable discount on receivable	**(2.1)**	–	**–**	–
Non–assessable dividends	**–**	–	**(172.5)**	(5.8)
Deferred tax asset not previously recognised now brought to account	**–**	–	**(45.4)**	–
Overseas tax rate differential	**1.8**	0.6	**–**	–
Other items	**0.6**	(0.5)	**0.6**	1.5
Total tax expense/(income)	**117.4**	69.6	**(44.9)**	(34.4)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared to the previous reporting period.

The New Zealand corporate income tax rate will be reduced from 33% to 30% effective from the 2009 financial year. New Zealand deferred tax assets and liabilities that will reverse in 2009 and subsequent years have been restated in the accounts at 30%.

(b) Income tax recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the period:				
Deferred tax				
– revaluation of financial instruments treated as cashflow hedges	**(1.3)**	6.9	**–**	–
Total income tax recognised in equity	**(1.3)**	6.9	**–**	–
(c) Current tax assets and liabilities				
Current tax assets				
Tax refund receivable	**–**	1.4	**–**	–
Current tax liabilities				
Income tax payable	**23.0**	25.8	**16.9**	25.5

Notes to the Financial Statements continued

8. Income tax (continued)

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
(d) Deferred tax balances				
Deferred tax assets are attributable to:				
Provisions and accruals	**49.3**	45.6	**5.0**	6.4
Tax losses	**51.4**	51.2	**51.4**	–
Financial instruments at fair value	**2.5**	6.0	–	–
Other	**12.6**	11.8	**0.9**	0.8
Set–off of deferred tax assets	**(98.8)**	(100.2)	–	–
Total deferred tax assets	**17.0**	14.4	**57.3**	7.2
Deferred tax liabilities are attributable to:				
Inventories	**7.9**	4.3	–	–
Property, plant and equipment	**70.9**	65.2	**0.3**	–
Financial instruments at fair value	**4.7**	9.6	–	–
Intangibles	**85.9**	85.9	–	–
Defined benefit fund	**2.2**	3.4	–	–
Other	**3.0**	5.9	**0.5**	0.1
Set–off of deferred tax assets	**(98.8)**	(100.2)	–	–
Total deferred tax liabilities	**75.8**	74.1	**0.8**	0.1
Movement in deferred tax assets:				
Opening balance at 1 October	**14.4**	11.5	**7.2**	6.5
Credited to the income statement	**0.3**	3.8	**44.3**	0.7
Other	–	–	**5.8**	–
Arising on acquisition of business	**3.6**	–	–	–
Charged to equity	**(1.3)**	(0.9)	–	–
Closing balance at 30 September	**17.0**	14.4	**57.3**	7.2
Movement in deferred tax liabilities:				
Opening balance at 1 October	**74.1**	87.9	**0.1**	0.5
Charged/(credited) to the income statement	**1.7**	(19.8)	**0.7**	(0.4)
Arising on acquisition of business	**2.6**	–	–	–
(Charged)/credited to equity	**(2.6)**	6.0	–	–
Closing balance at 30 September	**75.8**	74.1	**0.8**	0.1
(e) Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	**2.4**	2.2	–	–
Tax losses – capital	–	–	–	51.2
Temporary differences	**60.9**	60.5	–	–
Total	**63.3**	62.7	–	51.2

Tax consolidation

Lion Nathan Limited and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 October 2002 and have therefore been taxed as a single entity from that date. The head entity of the tax-consolidated group is Lion Nathan Limited. The subsidiary members of the tax-consolidated group are identified at note 36.

The entities within the tax-consolidated group have entered into a tax sharing agreement. Further details on the application of tax consolidation and the tax sharing agreement to the Lion Nathan Group are outlined at note 1.

Tax audits

The Group, at any time, has a number of tax risk reviews or audits being undertaken by the relevant authorities in each of its businesses.

During the 2007 financial year, the Australian Taxation Office concluded an audit of Lion Nathan Finance (Australia) Pty Limited (a wholly-owned subsidiary of Lion Nathan Limited) in relation to the deductibility of bad debts incurred funding Australian subsidiaries of Lion Nathan Limited. Amended assessments were issued in January 2007 in respect of bad debt deductions claimed in the 2000 and 2002 financial years. The primary tax ($19.7m) and general interest charge ($11.3m) assessed was fully provided for in prior financial years. A provision surplus of $9.5m was released in the 2007 financial year.

Notes to the Financial Statements continued

9. Net cash

		CONSOLIDATED		LION NATHAN LIMITED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Cash at banks and on hand		**45.3**	6.9	**11.1**	0.7
Bank overdraft	20	**–**	(1.5)	**–**	–
Net cash		**45.3**	5.4	**11.1**	0.7

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of current bank overdrafts.

10. Receivables

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Current				
Trade receivables	**273.5**	275.6	**–**	–
Allowance for doubtful debts	**(2.8)**	(3.6)	**–**	–
	270.7	272.0	**–**	–
Amounts owing by controlled entities	**–**	–	**107.1**	139.1
Other receivables	**8.9**	14.4	**0.5**	0.2
Total current receivables	**279.6**	286.4	**107.6**	139.3
Non-current				
Amounts owing by controlled entities	**–**	–	**814.7**	569.0
Loans to associate entities	**3.2**	2.0	**3.1**	2.0
Other receivables	**86.4**	86.2	**–**	1.1
Total non-current receivables	**89.6**	88.2	**817.8**	572.1

Some of the above receivables are part of the securitisation program which is further detailed in note 20.

Non-current other receivables includes $75.9m (2007: $70.6m) in relation to the sale of the Auckland Brewery and is secured by first ranking mortgage over the property.

The credit quality of individual debtors is assessed prior to offering credit terms and monitored on a regular basis.

In determining the credit quality of the trade receivable, the Group considers any change in the credit quality of their trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large, and based on past experience the Group believes that no allowance for doubtful debts is necessary in respect of trade receivables not past due.

Trade receivables are aged based on trading terms set for each customer. The average credit period on sales of goods is 14 days.

Notes to the Financial Statements continued

10. Receivables (continued)

	CONSOLIDATED	
	30 SEP $M 08	30 SEP $M 07
Ageing of trade receivables		
The ageing of trade receivables at the reporting date was:		
Not past due	**167.2**	149.3
Past due – one additional trading term period	**55.8**	69.0
Past due – two additional trading term periods	**16.2**	27.7
Past due – three additional trading term periods	**4.8**	8.0
Past due – four or more additional trading term periods	**26.7**	18.0
	270.7	272.0
Movement in allowance for doubtful debts		
The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:		
Balance at the beginning of the year	**3.6**	1.5
Increase in allowance for doubtful debts	**1.0**	3.4
Amounts written off as uncollectable	**(1.8)**	(1.3)
Balance at the end of the year	**2.8**	3.6

11. Inventories

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Current				
Raw and process materials and stores at cost	**48.1**	36.6	–	–
Raw and process materials and stores at net realisable value	**2.3**	2.1	–	–
Work in progress at cost	**20.6**	20.7	–	–
Work in progress at net realisable value	**30.2**	33.3	–	–
Finished goods at cost	**112.4**	95.7	–	–
Finished goods at net realisable value	**36.0**	32.4	–	–
Total current inventories	**249.6**	220.8	–	–
Non-current				
Work in progress at net realisable value	**41.4**	25.7	–	–
Finished goods at net realisable value	**18.9**	14.2	–	–
Total non-current inventories	**60.3**	39.9	–	–

Notes to the Financial Statements continued

12. Other financial assets

	CONSOLIDATED 30 SEP $M 08	CONSOLIDATED 30 SEP $M 07	LION NATHAN LIMITED 30 SEP $M 08	LION NATHAN LIMITED 30 SEP $M 07
Non-current				
Shares in controlled entities	–	–	**2,096.1**	2,089.7
Total other financial assets	–	–	**2,096.1**	2,089.7

13. Other assets

	NOTE	CONSOLIDATED 30 SEP $M 08	CONSOLIDATED 30 SEP $M 07	LION NATHAN LIMITED 30 SEP $M 08	LION NATHAN LIMITED 30 SEP $M 07
Current					
Prepayments and sundry debtors		**33.6**	27.6	**2.0**	0.7
Total current other assets		**33.6**	27.6	**2.0**	0.7
Non-current					
Defined benefit superannuation fund surplus	24	**7.4**	11.3	–	–
Other		–	0.1	–	–
Total non-current other assets		**7.4**	11.4	–	–

14. Non-current assets classified as held for sale

	CONSOLIDATED 30 SEP $M 08	CONSOLIDATED 30 SEP $M 07	LION NATHAN LIMITED 30 SEP $M 08	LION NATHAN LIMITED 30 SEP $M 07
Vineyard assets for sale[a]	**13.3**	–	–	–

[a] Includes grapevines, land, and plant and equipment in relation to Australian Wine Group and Wither Hills that is intended to be sold within one year.

15. Equity accounted investments

	PRINCIPAL ACTIVITY	INCORPORATED	OWNERSHIP INTEREST 30 SEP % 08	OWNERSHIP INTEREST 30 SEP % 07	CONSOLIDATED CARRYING AMOUNT 30 SEP $M 08	CONSOLIDATED CARRYING AMOUNT 30 SEP $M 07
Associates						
Bacardi Lion Pty Limited[a]	Distributor	Australia	**50%**	50%	**3.8**	3.3
Heineken Lion Australia Pty Limited[a]	Brewery	Australia	**50%**	50%	**3.9**	4.3
Little World Beverages Limited	Brewery	Australia	**39%**	38%	**18.9**	17.9
Bevchain Pty Limited[a]	Warehousing & distribution	Australia	**50%**	50%	**0.5**	0.8
Total equity accounted investments					**27.1**	26.3

[a] Not quoted on stock exchanges.

Notes to the Financial Statements continued

15. Equity accounted investments (continued)

	CONSOLIDATED	
	30 SEP $M 08	30 SEP $M 07
Fair value of listed investments in associates		
Little World Beverages Limited[b]	**35.5**	37.0

[b] Little World Beverages Limited listed on the Australian Stock Exchange in November 2005.

Equity accounted investments		
Equity accounted amount of investment at the beginning of the financial year	**26.3**	25.7
Share of profit before income tax	**11.1**	8.6
Income tax expense	**(3.4)**	(2.6)
Share of profit after income tax	**7.7**	6.0
Dividends received	**(7.7)**	(5.6)
Acquisition of additional interest in associate entities	**0.8**	2.9
Disposal of interest in associate entities	**–**	(2.7)
Equity accounted amount of investment at the end of the financial year	**27.1**	26.3
Summarised financial position of associate entities		
Current assets	**94.3**	90.6
Non-current assets	**88.9**	115.0
Total assets	**183.2**	205.6
Current liabilities	**77.0**	69.1
Non-current liabilities	**41.7**	66.0
Total liabilities	**118.7**	135.1
Net assets	**64.5**	70.5
Revenue	**247.9**	221.0
Net profit	**16.1**	12.9
Share of reserves attributable to associate entities		
Retained profits		
at the beginning of the financial year	**11.0**	5.0
at the end of the financial year	**18.7**	11.0

Balances and transactions with associate entities

All material transactions with associate entities are detailed in note 33.

Notes to the Financial Statements continued

16. Property, plant and equipment

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Land and buildings	**328.7**	255.6	**0.8**	0.1
Plant and equipment	**443.2**	356.6	**8.3**	1.0
Capital work in progress	**162.1**	115.3	**4.4**	2.7
Total property, plant and equipment	**934.0**	727.5	**13.5**	3.8

Non-current assets pledged as security

Refer to note 20 for information on non-current assets pledged as security by Lion Nathan Limited or its controlled entities.

	CONSOLIDATED			
	LAND AND BUILDINGS $M	PLANT AND EQUIPMENT $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
Gross carrying amount				
Balance as at 1 October 2006	353.9	1,115.0	103.5	1,572.4
Additions	–	–	110.6	110.6
Category transfers	7.8	81.1	(88.9)	–
Disposals	(57.5)	(23.9)	–	(81.4)
Acquisition of business	3.1	2.4	–	5.5
Net foreign currency exchange differences	(3.0)	(4.5)	(0.2)	(7.7)
Transfers to other asset classes	–	–	(9.7)	(9.7)
Balance as at 1 October 2007	**304.3**	**1,170.1**	**115.3**	**1,589.7**
Additions	3.0	0.4	248.5	251.9
Category transfers	59.9	125.0	(184.9)	–
Disposals	(1.4)	(33.6)	–	(35.0)
Acquisition of business	24.4	25.7	0.8	50.9
Transferred to non-current assets held for sale	(4.0)	(5.0)	–	(9.0)
Net foreign currency exchange differences	(1.3)	(4.8)	(0.6)	(6.7)
Transfers to other asset classes	0.2	(0.2)	(17.0)	(17.0)
Balance as at 30 September 2008	**385.1**	**1,277.6**	**162.1**	**1,824.8**

	LION NATHAN LIMITED			
	LAND AND BUILDINGS $M	PLANT AND EQUIPMENT $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
Gross carrying amount				
Balance as at 1 October 2006	0.1	4.2	2.3	6.6
Additions	–	–	2.8	2.8
Category transfers	–	0.6	(0.6)	–
Transfers to controlled entities	–	–	(1.8)	(1.8)
Balance as at 1 October 2007	**0.1**	**4.8**	**2.7**	**7.6**
Additions	–	–	13.0	13.0
Category transfers	0.7	7.8	(8.5)	–
Transfers to other asset classes	–	–	(2.8)	(2.8)
Balance as at 30 September 2008	**0.8**	**12.6**	**4.4**	**17.8**

Notes to the Financial Statements continued

16. Property, plant and equipment (continued)

	CONSOLIDATED			
	LAND AND BUILDINGS $M	PLANT AND EQUIPMENT $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
Accumulated depreciation				
Balance as at 1 October 2006	47.0	751.2	–	798.2
Disposals	(7.3)	(23.0)	–	(30.3)
Depreciation expense	7.9	56.4	–	64.3
Write-downs	1.4	31.8	–	33.2
Net foreign currency exchange differences	(0.3)	(2.9)	–	(3.2)
Balance as at 1 October 2007	**48.7**	**813.5**	**–**	**862.2**
Disposals	(0.8)	(33.0)	–	(33.8)
Depreciation expense	7.7	60.9	–	68.6
Category transfers	1.1	(1.1)	–	–
Transferred to non-current assets held for sale	–	(2.1)	–	(2.1)
Net foreign currency exchange differences	(0.3)	(3.8)	–	(4.1)
Balance as at 30 September 2008	**56.4**	**834.4**	**–**	**890.8**
Net book value				
As at 30 September 2007	255.6	356.6	115.3	727.5
As at 30 September 2008	**328.7**	**443.2**	**162.1**	**934.0**

	LION NATHAN LIMITED			
	LAND AND BUILDINGS $M	PLANT AND EQUIPMENT $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
Accumulated depreciation				
Balance as at 1 October 2006	–	3.2	–	3.2
Depreciation expense	–	0.6	–	0.6
Balance as at 1 October 2007	**–**	**3.8**	**–**	**3.8**
Depreciation expense	–	0.5	–	0.5
Balance as at 30 September 2008	**–**	**4.3**	**–**	**4.3**
Net book value				
As at 30 September 2007	0.1	1.0	2.7	3.8
As at 30 September 2008	**0.8**	**8.3**	**4.4**	**13.5**

Notes to the Financial Statements continued

17. Grapevines

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Carrying amount at 1 October	**40.5**	40.9	–	–
Gain arising from changes in fair value less estimated point of sale costs	**0.8**	0.8	–	–
Plantings	**0.1**	–	–	–
Transferred to Non-Current Assets Held for Sale	**(6.4)**	–	–	–
Other movements	**(0.4)**	(1.2)	–	–
Carrying amount at 30 September	**34.6**	40.5	–	–

The Lion Nathan Group has 1,023 hectares of land under vine in Australia, New Zealand and the USA (2007: 1,046 hectares). Of the total land under vine, 757 hectares are owned (2007: 774 hectares) and 266 hectares are under lease agreements (2007: 272 hectares). The net market value of owned vines has been determined by the following independent valuations:

- Sam Paton & Associates Pty Limited – Lion Nathan Wine Group Australia Limited
- Alexander Hayward Limited – Wither Hills Vineyards Malborough Limited.

The fair value of harvested grapes is determined with reference to the current district weighted average market price for each region for the current vintage.

Included in the operating result is a net decrement in the net market value of picked grapes of $0.5m (2007: $3.6m) and a net increment in the net market value of vines of $0.8m (2007: $0.8m).

18. Intangibles

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Goodwill	**335.0**	113.6	–	–
Brands	**998.8**	937.7	–	–
Computer software	**14.6**	8.1	**2.5**	1.3
Other contractual arrangements	**28.2**	32.8	–	–
Total intangibles	**1,376.6**	1,092.2	**2.5**	1.3

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units (CGUs): Australia; New Zealand; and Wine.

	CONSOLIDATED	
	30 SEP $M 08	30 SEP $M 07
The carrying amount of goodwill allocated to CGUs is as follows:		
Australia	**326.3**	106.6
New Zealand	**6.8**	7.0
Wine	**1.9**	–
Total goodwill	**335.0**	113.6

Notes to the Financial Statements continued

18. Intangibles (continued)

The recoverable amount of each CGU is determined based on value in use calculations. Value in use is calculated using a discounted cash flow methodology covering a ten year period with an appropriate residual value at the end of that period. The key assumptions used in the value in use calculations are as follows:

Australia

Cash flow forecasts are based on three year business plans presented to and approved by the Board, extrapolated out to ten years using a forecast growth rate of 3.0 per cent p.a. The growth rate does not exceed the long term growth rate for the business in which Australia operates. Future cash flows are discounted using a pre-tax discount rate of 13.0 (2007: 11.0) per cent. The assumptions used in the cash flow forecasts are based on past experience and expectations of changes in the market place.

New Zealand

Cash flow forecasts are based on three year business plans presented to and approved by the Board, extrapolated out to ten years using a forecast growth rate of 2.9 per cent p.a. The growth rate does not exceed the long term growth rate for the business in which New Zealand operates. Future cash flows are discounted using a pre-tax discount rate of 14.0 (2007: 12.0) per cent. The assumptions used in the cash flow forecasts are based on past experience and expectations of changes in the market place.

Wine

Cash flow forecasts are based on three year business plans presented to and approved by the Board, extrapolated out to ten years using a forecast domestic growth rate of 2.4 per cent p.a. and an international growth rate of 8.5 per cent p.a. The growth rate does not exceed the long term growth rate for the business in which Wine operates. Future cash flows are discounted using a pre-tax discount rate of 15.0 (2007: 13.0) per cent. The assumptions used in the cash flow forecasts are based on past experience and expectations of changes in the market place.

Brands

In assessing the useful life of the Group's brands, due consideration is given to the existing longevity of the brands, indefinite life cycle of the industry in which the Group operates and expected usage of the brands in future. In light of these considerations, no factor could be identified that would result in the Group's brands having a finite useful life, and accordingly they have been assessed as having an indefinite useful life. The key individual brand names are XXXX, Tooheys and Boags. These have been assessed in conjunction with the related goodwill.

	CONSOLIDATED				
	GOODWILL $M	BRANDS $M	COMPUTER SOFTWARE $M	OTHER CONTRACTUAL ARRANGEMENTS $M	TOTAL $M
Gross carrying amount					
Balance as at 1 October 2006	120.2	969.9	67.7	89.2	1,247.0
Additions	4.5	1.9	3.8	18.9	29.1
Disposals	(0.6)	–	(1.2)	–	(1.8)
Fully amortised contractual arrangements	–	–	–	(37.9)	(37.9)
Net foreign currency exchange differences	(0.1)	(0.2)	(0.2)	(0.5)	(1.0)
Balance as at 1 October 2007	**124.0**	**971.6**	**70.1**	**69.7**	**1,235.4**
Additions	–	–	14.4	12.7	27.1
Acquisitions through business combinations	221.6	61.4	–	–	283.0
Disposals	–	–	(7.5)	–	(7.5)
Fully amortised contractual arrangements	–	–	–	(4.3)	(4.3)
Net foreign currency exchange differences	(0.2)	(0.3)	(0.3)	(0.9)	(1.7)
Balance as at 30 September 2008	**345.4**	**1,032.7**	**76.7**	**77.2**	**1,532.0**

	LION NATHAN LIMITED				
	GOODWILL $M	BRANDS $M	COMPUTER SOFTWARE $M	OTHER CONTRACTUAL ARRANGEMENTS $M	TOTAL $M
Gross carrying amount					
Balance as at 1 October 2006	–	–	1.4	–	1.4
Transfers to controlled entities	–	–	1.8	–	1.8
Balance as at 1 October 2007	**–**	**–**	**3.2**	**–**	**3.2**
Additions	–	–	2.8	–	2.8
Transfers to controlled entities	–	–	(1.0)	–	(1.0)
Balance as at 30 September 2008	**–**	**–**	**5.0**	**–**	**5.0**

Notes to the Financial Statements continued

18. Intangibles (continued)

	CONSOLIDATED				
	GOODWILL $M	BRANDS $M	COMPUTER SOFTWARE $M	OTHER CONTRACTUAL ARRANGEMENTS $M	TOTAL $M
Accumulated amortisation and impairment					
Balance as at 1 October 2006	–	33.9	56.6	52.8	143.3
Amortisation expense	–	–	6.6	22.1	28.7
Disposals	–	–	(1.2)	–	(1.2)
Impairment loss charged to profit	10.4	–	0.2	–	10.6
Fully amortised contractual arrangements	–	–	–	(37.9)	(37.9)
Net foreign currency exchange differences	–	–	(0.2)	(0.1)	(0.3)
Balance as at 1 October 2007	**10.4**	**33.9**	**62.0**	**36.9**	**143.2**
Amortisation expense	–	–	7.9	16.8	24.7
Disposals	–	–	(7.5)	–	(7.5)
Fully amortised contractual arrangements	–	–	–	(4.3)	(4.3)
Net foreign currency exchange differences	–	–	(0.3)	(0.4)	(0.7)
Balance as at 30 September 2008	**10.4**	**33.9**	**62.1**	**49.0**	**155.4**
Net book value					
As at 30 September 2007	113.6	937.7	8.1	32.8	1,092.2
As at 30 September 2008	**335.0**	**998.8**	**14.6**	**28.2**	**1,376.6**

	LION NATHAN LIMITED				
	GOODWILL $M	BRANDS $M	COMPUTER SOFTWARE $M	OTHER CONTRACTUAL ARRANGEMENTS $M	TOTAL $M
Accumulated amortisation and impairment					
Balance as at 1 October 2006	–	–	1.2	–	1.2
Amortisation expense	–	–	0.7	–	0.7
Balance as at 1 October 2007	**–**	**–**	**1.9**	**–**	**1.9**
Amortisation expense	–	–	0.9	–	0.9
Transfers to controlled entities	–	–	(0.3)	–	(0.3)
Balance as at 30 September 2008	**–**	**–**	**2.5**	**–**	**2.5**
Net book value					
As at 30 September 2007	–	–	1.3	–	1.3
As at 30 September 2008	**–**	**–**	**2.5**	**–**	**2.5**

Notes to the Financial Statements continued

19. Payables

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Current				
Trade payables	**160.0**	140.1	**1.2**	2.0
Amounts owing to controlled entities	–	–	**0.4**	0.4
Amounts owing to associate entities	**9.4**	1.5	–	–
Other payables	**246.5**	218.7	**12.1**	12.0
Total current payables	**415.9**	360.3	**13.7**	14.4
Non-current				
Amounts payable to controlled entities	–	–	**1,794.3**	1,894.1
Amounts payable to associate entities	**14.2**	4.9	–	–
Total non-current payables	**14.2**	4.9	**1,794.3**	1,894.1

20. Borrowings

		CONSOLIDATED		LION NATHAN LIMITED	
	NOTE	**30 SEP $M 08**	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Current borrowings					
Secured					
– finance leases[a]		**0.1**	0.1	–	–
– bank loans[b]		**0.2**	–	–	–
Unsecured					
– bank overdraft	9	–	1.5	–	–
– bank loans		**4.5**	22.7	–	–
– US Private Placement		**49.6**	45.3	–	–
Total current borrowings		**54.4**	69.6	–	–
Non-current borrowings					
Secured					
– finance leases[a]		**1.0**	1.1	–	–
– bank loans[b]		**1.2**	101.5	–	–
Unsecured					
– US Private Placement		**517.2**	519.8	–	–
– bank loans		**982.4**	337.4	–	–
Total non-current borrowings		**1,501.8**	959.8	–	–

[a] Finance leases relate primarily to the lease of equipment with lease periods ranging from 1 – 16 years. The liability is secured by a charge over the assets.

[b] Bank loans relate to funding secured by a trade receivable securitisation program and a US dollar loan to Argyle Winery Inc. In 2008 the drawn amount against the trade receivable securitisation program was nil (2007: $100.0m against receivables of $213.7m).

Notes to the Financial Statements continued

21. Current and non-current liabilities maturity profile

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Secured liabilities	**2.5**	102.7	–	–
Unsecured liabilities	**1,553.7**	925.2	–	–
	1,556.2	1,027.9	–	–
Long-term maturities of borrowings				
No later than one year	**54.4**	68.1	–	–
One and two years	**248.4**	228.3	–	–
Two and three years	**458.3**	158.6	–	–
Three and five years	**499.2**	345.7	–	–
Greater than five years	**295.9**	227.2	–	–
	1,556.2	1,027.9	–	–
Represented by:				
Current liabilities (excluding bank overdraft)	**54.4**	68.1	–	–
Non-current liabilities	**1,501.8**	959.8	–	–
Total borrowings	**1,556.2**	1,027.9	–	–
Financing facilities				
Committed facilities available to draw at any time:				
Total facilities				
Bank overdrafts	**18.4**	20.1		
Receivables securitisation	**160.0**	150.0		
Bank loan facilities	**1,225.0**	600.0		
	1,403.4	770.1		
Used at balance date				
Bank overdrafts	–	1.5		
Receivables securitisation	–	100.0		
Bank loan facilities	**983.8**	337.9		
	983.8	439.4		
Unused at balance date				
Bank overdrafts	**18.4**	18.6		
Receivables securitisation	**160.0**	50.0		
Bank loan facilities	**241.2**	262.1		
	419.6	330.7		

Notes to the Financial Statements continued

22. Provisions

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Current				
Employee benefits	**67.6**	58.6	**10.5**	8.5
Restructure and rationalisation[a]	**7.0**	11.3	**–**	0.3
Onerous contracts	**–**	0.3	**–**	–
Other	**1.1**	1.3	**–**	–
Total current provisions	**75.7**	71.5	**10.5**	8.8
Non-current				
Employee benefits	**5.8**	4.0	**0.6**	1.9
Restructure and rationalisation[a]	**6.1**	6.9	**–**	–
Other	**–**	0.7	**–**	–
Total non-current provisions	**11.9**	11.6	**0.6**	1.9

	CONSOLIDATED			
	RESTRUCTURING $M	ONEROUS CONTRACTS $M	OTHER $M	TOTAL $M
Balance at 1 October 2007	18.2	0.3	2.0	20.5
Additional provisions recognised	7.7	–	0.7	8.4
Payments/utilised	(12.6)	(0.3)	(1.6)	(14.5)
Net foreign currency exchange differences	(0.2)	–	–	(0.2)
Balance at 30 September 2008	**13.1**	**–**	**1.1**	**14.2**
Current	7.0	–	1.1	8.1
Non-current	6.1	–	–	6.1
	13.1	**–**	**1.1**	**14.2**

	LION NATHAN LIMITED			
	RESTRUCTURING $M	ONEROUS CONTRACTS $M	OTHER $M	TOTAL $M
Balance at 1 October 2007	0.3	–	–	0.3
Payments/utilised	(0.3)	–	–	(0.3)
Balance at 30 September 2008	**–**	**–**	**–**	**–**

[a] The provision for restructuring and rationalisation represents the present value of the Directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity.

Notes to the Financial Statements continued

23. Share-based payments

Achievement Rights

Lion Nathan provides senior executives with rights to shares under the long term incentive Achievement Rights Plan ("Plan"). The Plan operates by giving participants in the Plan the opportunity to acquire Achievement Rights if relevant targets ("Achievement Targets") are met in respect of each financial year ("Achievement Periods"), over a three year period. An Achievement Right is a right to acquire one fully paid ordinary share in Lion Nathan, currently purchased on market.

Participants in the Plan are granted an Achievement Benefit Value in respect of each of the three Achievement Periods, based on a percentage of each participants fixed remuneration. The number of Achievement Rights granted to participants in the Plan is determined based on the Achievement Benefit Value divided by the volume weighted average price ("VWAP") of the Company's shares traded on the Australian Stock Exchange (ASX) over the ten trading day period commencing after announcement of the Company's annual results for the prior financial year.

Achievement Rights vest to participants on meeting the set Achievement Targets in any Achievement Period and also remaining employed by the consolidated entity over the three year Plan period.

The table below outlines participation of executives in the Achievement Rights Plan:

	30 SEPTEMBER 2008				
	BALANCE AT THE BEGINNING OF THE FINANCIAL YEAR	ENTITLEMENTS ALLOCATED DURING THE FINANCIAL YEAR	ENTITLEMENTS EXERCISED DURING THE FINANCIAL YEAR	FORFEITED/ LAPSED DURING THE FINANCIAL YEAR	BALANCE AT THE END OF THE FINANCIAL YEAR
Achievement Rights allocation (number)	1,806,651	875,830	(798,722)	(50,610)	1,833,149
Achievement Rights allocation ($)	14,608,299	8,057,636	(6,499,947)	(399,272)	15,766,716

The fair value of Achievement Rights is based on the applicable Achievement Benefit Value for each Achievement Period under the Plan. The number of Achievement Rights granted is based on the VWAP for the 30 September 2008 Achievement Period of $9.20 (30 September 2007 Achievement Period of $8.03).

Employee Share Plan

Lion Nathan provides its employees with the opportunity to participate in the Lion Nathan Share Acquisition Plan. This plan allows eligible employees who have not participated in the previous years Employee Share Acquisition Plans to receive $1,000 worth of ordinary fully paid shares in Lion Nathan for no cash consideration. All permanent employees who are employed on a full time or part time basis, employed with a 100% owned Lion Nathan business as at 1 October each year and still employed at the time the offer is made and on the date the shares are allocated are eligible to participate in the Plan. Employees who participated in the prior years Employee Share Acquisition Plan were provided the opportunity to obtain $1,000 worth of Lion Nathan shares through salary sacrifice annually.

Shares issued under the Plan are purchased on market and are not new issues of shares. The market value of shares issued under the Plan for no cash consideration, measured at the market price of shares at the date of allocation, is recognised as part of employee benefits expense in the period the shares are granted.

Offers under the Plan are at the discretion of the Company. Shares issued under the Plan are held in trust for three years from the date of issue and cannot be dealt with until the earlier of three years passing from the date the shares are allocated, or until termination of employment.

The number of shares issued to participants in the Plan is the offer amount divided by the market price at which the Company's shares are traded on the ASX at the date of allocation (the grant date).

	CONSOLIDATED		LION NATHAN LIMITED	
	2008 NO.	2007 NO.	**2008 NO.**	2007 NO.
Shares issued under the Plan to participating employees for no cash consideration	**36,963**	22,018	**4,662**	2,943
Shares issued under the Plan to participating employees through salary sacrifice	**45,510**	45,671	**6,771**	5,123
	82,473	67,689	**11,433**	8,066

Each participant was issued with shares worth $1,000 based on a weighted average market price of $8.999 (2007: $9.135). The weighted average market price has been determined over a one week period of share trading on the ASX from 21 May to 27 May inclusive for 2008.

Notes to the Financial Statements continued

23. Share-based payments (continued)

Total expenses arising from share-based payment transactions during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Shares issued under Employee Share Plan	**0.3**	0.2	–	–

24. Defined benefit superannuation plan

(a) Superannuation plan

Lion Nathan Limited and its controlled entities participate in a number of superannuation funds in Australia and New Zealand.

The funds provide benefits either on a defined benefit or defined contribution basis, for employees on retirement, resignation or disablement, or to their dependants on death. Employer contributions are legally enforceable, with the right to terminate, reduce or suspend those contributions upon giving written notice to the trustees. However, Lion Nathan Limited and its Australian controlled entities are required to provide a minimum level of superannuation support for employees under the Australian Superannuation Guarantee legislation.

The defined benefit fund, which is a New Zealand plan only, provides benefits based on length of service or membership and salary of the member at or near retirement.

The following sets out details in respect of the defined benefit fund only.

(b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Fair value of defined benefit plan assets	**22.5**	24.1	–	–
Present value of the defined benefit obligation	**(15.1)**	(12.8)	–	–
Net asset in the balance sheet (note 13)	**7.4**	11.3	–	–

(c) Categories of plan assets

The major categories of plan assets are as follows:

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Cash	**5.0**	5.1	–	–
Equity instruments	**12.6**	14.2	–	–
Debt instruments	**4.9**	4.8	–	–
	22.5	24.1	–	–

Notes to the Financial Statements continued

24. Defined benefit superannuation plan (continued)

(d) Reconciliations

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Reconciliation of the fair value of plan assets:				
Opening fair value of plan assets	**24.1**	26.4	–	–
Expected return on plan assets	**0.9**	1.1	–	–
Actuarial (losses)/gains	**(0.5)**	0.5	–	–
Exchange differences on foreign plans	**(0.5)**	(0.5)	–	–
Contributions from plan participants	**2.0**	2.3	–	–
Benefits paid	**(3.5)**	(5.7)	–	–
Closing value of plan assets	**22.5**	24.1	–	–
Reconciliation of the present value of the defined benefit obligation:				
Opening defined benefit obligation	**12.8**	14.6	–	–
Current service cost	**3.5**	1.3	–	–
Interest cost	**0.5**	0.5	–	–
Contributions from plan participants	**2.0**	2.3	–	–
Actuarial losses	**0.1**	0.1	–	–
Exchange differences on foreign plans	**(0.3)**	(0.3)	–	–
Benefits paid	**(3.5)**	(5.7)	–	–
Closing defined benefit obligation	**15.1**	12.8	–	–

(e) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Expected return on plan assets	**0.9**	1.1	–	–
Actuarial (losses)/gains	**(0.6)**	0.4	–	–
Total included in other income (note 4)	**0.3**	1.5	–	–
Current service cost	**(3.5)**	(1.3)	–	–
Interest cost	**(0.5)**	(0.5)	–	–
Total included in employee benefits expense (note 5)	**(4.0)**	(1.8)	–	–
	(3.7)	(0.3)	–	–
Actual return on plan assets	**0.4**	1.6	–	–

Notes to the Financial Statements continued

24. Defined benefit superannuation plan (continued)

(f) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP 2008	30 SEP 2007	**30 SEP 2008**	30 SEP 2007
Discount rate (after tax)	**4.0%**	4.4%	–	–
Expected return on plan assets (after tax)	**4.0%**	4.0%	–	–

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

(g) Employer contributions

Employer contributions to the defined benefit plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 31 March 2007. Employer contributions have currently ceased because the fund is in actuarial surplus.

(h) Historic summary of experience adjustments

The history of experience adjustments is as follows:

	CONSOLIDATED			
	30 SEP $M 08	30 SEP $M 07	30 SEP $M 06	30 SEP $M 05
Experience adjustments on plan assets	**2.2**	0.5	(0.2)	1.1
Experience adjustments on plan liabilities	**(0.4)**	(0.1)	0.6	(0.5)

Notes to the Financial Statements continued

25. Issued capital

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Issued capital	**422.8**	423.1	**422.8**	423.1

	CONSOLIDATED AND LION NATHAN LIMITED			
	30 SEP NO. 08	**30 SEP $M 08**	30 SEP NO. 07	30 SEP $M 07
Fully paid ordinary shares				
Total ordinary shares on issue	**534,240,495**	**436.1**	534,240,495	436.1
Shares held by the Lion Nathan Achievement Rights Trust	**(1,662,440)**	**(13.3)**	(1,635,942)	(13.0)
Total number of ordinary shares on issue excluding ordinary shares held by the Lion Nathan Achievement Rights Trust[a]	**532,578,055**	**422.8**	532,604,553	423.1

	CONSOLIDATED AND LION NATHAN LIMITED			
	30 SEP NO. 08	**30 SEP $M 08**	30 SEP NO. 07	30 SEP $M 07
Shares held by the Lion Nathan Achievement Rights Trust				
Balance at the beginning of the financial year	**1,635,942**	**13.0**	1,225,273	9.3
Acquisition of shares by the Lion Nathan Achievement Rights Trust	**825,220**	**7.5**	1,628,150	13.2
Shares vested – Lion Nathan Achievement Rights Trust	**(798,722)**	**(7.2)**	(1,217,481)	(9.5)
Balance at the end of the financial year[a]	**1,662,440**	**13.3**	1,635,942	13.0

[a] All are fully-paid ordinary shares, carrying one vote per share and the right to dividends.

Notes to the Financial Statements continued

26. Reserves

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Share based payments	**12.7**	12.4	**12.7**	12.4
Foreign currency translation	**(13.1)**	(11.6)	–	–
Hedging	**5.1**	8.5	–	–
Total reserves	**4.7**	9.3	**12.7**	12.4
Movements in share based payments reserve				
Balance at the beginning of the financial year	**12.4**	14.4	**12.4**	14.4
Shares vested during the year	**(7.2)**	(9.5)	**(7.2)**	(9.5)
Shares granted under Achievement Rights Plan	**7.5**	7.5	**7.5**	7.5
Balance at the end of the financial year	**12.7**	12.4	**12.7**	12.4

The share based payments reserve is used to recognise the fair value of achievement rights granted but not yet vested in employees as described in note 1(Y).

Movements in foreign currency translation reserve				
Balance at the beginning of the financial year	**(11.6)**	(7.6)	–	–
Exchange differences relating to overseas net assets				
– net loss on translation	**(1.5)**	(4.0)	–	–
Balance at the end of the financial year	**(13.1)**	(11.6)	–	–

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in note 1(H).

Movements in hedging reserve				
Balance at the beginning of the financial year	**8.5**	(6.8)	–	–
Gain/(loss) taken to equity	**47.8**	(78.1)	–	–
Transferred to profit or loss for the year	**(52.5)**	100.3	–	–
Deferred tax on hedged item	**1.3**	(6.9)	–	–
Balance at the end of the financial year	**5.1**	8.5	–	–

Refer to note 1(D) for details on the Group's hedging policy.

Notes to the Financial Statements continued

27. Retained earnings

		CONSOLIDATED		LION NATHAN LIMITED	
	NOTE	30 SEP $M 08	30 SEP $M 07	30 SEP $M 08	30 SEP $M 07
Balance at the beginning of the financial year		**395.7**	321.3	**434.5**	425.2
Net profit after tax attributable to members of Lion Nathan Limited		**272.7**	282.1	**619.5**	217.0
Dividends paid:					
– final dividend paid in respect of prior financial year	7	**(111.9)**	(106.5)	**(111.9)**	(106.5)
– interim dividend paid	7	**(106.5)**	(101.2)	**(106.5)**	(101.2)
Balance at the end of the financial year		**450.0**	395.7	**835.6**	434.5

28. Minority interests

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	30 SEP $M 08	30 SEP $M 07
Retained earnings	**0.4**	0.2	–	–
Total minority interests	**0.4**	0.2	–	–

29. Auditors' remuneration

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $000 08	30 SEP $000 07	30 SEP $000 08	30 SEP $000 07
Amounts received or due and receivable for auditing the financial report by:				
– auditors of the parent entity	**955**	912	**360**	353
– related practices of the parent entity auditor	**127**	274	–	–
	1,082	1,186	**360**	353
Amounts received or due and receivable for other services by: [a]				
– auditors of the parent entity	**411**	539	–	539
– related practices of the parent entity auditor	**35**	–	–	–
	446	539	–	539
Total auditors' remuneration	**1,528**	1,725	**360**	892

[a] Amounts received or due from the Lion Nathan Group for other services performed by the auditors of the parent entity or related practices is made up as follows:

Tax services	**219**	352
Accounting advice	–	5
Due diligence	**197**	151
Other	**30**	31
	446	539

Notes to the Financial Statements continued

30. Earnings per share

	CONSOLIDATED	
	2008 CENTS PER SHARE	2007 CENTS PER SHARE
Basic and diluted earnings per share	**51.2**	53.0

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2008 $M	2007 $M
Earnings	**272.7**	282.1

	2008 NO.	2007 NO.
Total number of ordinary shares on issue	**534,240,495**	534,240,495
Ordinary shares held by the Lion Nathan Achievement Rights Trust	**(1,662,440)**	(1,635,942)
Total number of ordinary shares on issue excluding ordinary shares held by the Lion Nathan Achievement Rights Trust	**532,578,055**	532,604,553
Weighted average number of ordinary shares	**532,653,203**	532,674,918

31. Key management personnel disclosures

(i) Details of Directors and Other Key Management Personnel

NAME OF DIRECTOR	POSITION	DATE OF CHANGE IN POSITION
GT Ricketts	Chairman (non-executive)	
GLL Barnes	Director (non-executive)	
F Miki	Director (non-executive)	
K Aramaki	Director (non-executive)	Resigned 14 February 2008
M Yokomizo	Director (non-executive)	Resigned 14 February 2008
GR Walker	Director (non-executive)	
H Kobayashi	Director (non-executive)	Appointed 14 February 2008
K Matsuzawa	Director (non-executive)	Appointed 14 February 2008
PH Bush	Director (non-executive)	
BK Ward	Director (non-executive)	
RA Murray	Director and Chief Executive Officer	
AM Reeves	Director and Managing Director Lion Nathan Australia	

NAME OF OTHER KEY MANAGEMENT PERSONNEL	POSITION	DATE OF CHANGE IN POSITION
P Kean	Managing Director Lion Nathan New Zealand	
JC Tomlinson	Chief Financial Officer	
RP Barbour	People & Culture Director	
DH Makeig	General Counsel & Company Secretary	
RJ McKenzie	Group Technical & Operations Director	

Notes to the Financial Statements continued

31. Key management personnel disclosures (continued)

(ii) Key Management Personnel Compensation

The aggregate compensation made to key management personnel of the company and the Lion Nathan Group is set out below.

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $ 08	30 SEP $ 07	**30 SEP $ 08**	30 SEP $ 07
Short-term employee benefits	**9,873,764**	9,002,561	**7,459,638**	6,815,306
Post-employment benefits	**133,369**	120,539	**119,624**	107,742
Share based payments	**4,042,609**	4,184,123	**3,040,000**	3,886,003
	14,049,742	13,307,223	**10,619,262**	10,809,051

(iii) Equity Instruments

Set out below in the following tables are the holding of equity instruments granted as remuneration to each Director of Lion Nathan Limited and other key management personnel of the Group, and shares held in Lion Nathan Limited by each Director of Lion Nathan Limited and other key management personnel of the Group. No other Director of Lion Nathan Limited or other key management personnel of the Group or their personally related parties directly or beneficially held any other shares, options or rights in Lion Nathan Limited other than as set out below.

Achievement Rights

Details of entitlements to Achievement Rights provided as remuneration during the financial year to Directors of Lion Nathan Limited and other key management personnel of the Group are set out below.

	LION NATHAN ACHIEVEMENT RIGHTS HOLDINGS (NUMBER) – 2008				
	BALANCE 1/10/2007	GRANTED DURING THE YEAR AS COMPENSATION	NUMBER OF ACHIEVEMENT RIGHTS EXERCISED DURING THE YEAR	UNVESTED BALANCE AT 30/9/2008	VESTED BALANCE AT 30/9/2008
Directors					
RA Murray	550,978	168,478	(550,978)	168,478	–
AM Reeves	167,799	76,765	(44,854)	164,716	34,994
Other Key Management Personnel					
P Kean	32,795	41,274	–	74,069	–
JC Tomlinson	68,805	60,053	–	128,858	–
RP Barbour	39,228	35,326	–	74,554	–
DH Makeig	43,586	38,044	–	81,630	–
RJ McKenzie	32,690	28,533	–	61,223	–
Total	**935,881**	**448,473**	**(595,832)**	**753,528**	**34,994**

No amount has been paid, or is payable, in relation to these Achievement Rights.

Notes to the Financial Statements continued

31. Key management personnel disclosures (continued)

	LION NATHAN ACHIEVEMENT RIGHTS HOLDINGS (NUMBER) – 2007				
	BALANCE 1/10/2006	GRANTED DURING THE YEAR AS COMPENSATION	NUMBER OF ACHIEVEMENT RIGHTS EXERCISED DURING THE YEAR	UNVESTED BALANCE AT 30/9/2007	VESTED BALANCE AT 30/9/2007
Directors					
RA Murray	362,260	188,718	–	550,978	–
AM Reeves	345,422	88,599	(266,222)	122,945	44,854
Other Key Management Personnel					
P Kean	110,626	33,041	(110,872)	32,795	–
JC Tomlinson	208,468	68,805	(208,468)	68,805	–
RP Barbour	126,192	39,499	(126,463)	39,228	–
DH Makeig	129,649	43,887	(129,950)	43,586	–
RJ McKenzie	108,644	32,948	(108,902)	32,690	–
Total	**1,391,261**	**495,497**	**(950,877)**	**891,027**	**44,854**

Equity Holdings and Transactions

The movement during the year in the number of ordinary shares of Lion Nathan Limited, held directly, indirectly or beneficially, by each Director of Lion Nathan Limited and other key management personnel of the Group, including their personally related parties is as follows:

	LION NATHAN LIMITED SHAREHOLDINGS (NUMBER OF SHARES HELD) – 2008			
	BALANCE 1/10/2007	ALLOCATED ON EXERCISE OF ACHIEVEMENT RIGHTS [1]	NET CHANGE OTHER	BALANCE 30/9/2008
Directors				
GT Ricketts	25,000	–	–	25,000
GLL Barnes	10,000	–	–	10,000
GR Walker	–	–	–	–
BK Ward	–	–	–	–
PH Bush	–	–	–	–
K Aramaki	–	–	–	–
M Yokomizo	–	–	–	–
H Kobayashi	–	–	–	–
K Matsuzawa	–	–	–	–
F Miki	–	–	–	–
RA Murray	–	550,978	(213,618)	337,360
AM Reeves	–	44,854	(44,854)	–
Other Key Management Personnel				
RP Barbour	227,063	–	–	227,063
P Kean	126,257	–	–	126,257
DH Makeig	183,650	–	–	183,650
RJ McKenzie	123,629	–	–	123,629
JC Tomlinson	250,340	–	–	250,340

[1] Certain Achievement Rights held by AM Reeves and P Kean are, under the terms of their individual plans, converted to shares on a net of tax basis, consequently these numbers do not agree to the table on Achievement Rights.

Notes to the Financial Statements continued

31. Key management personnel disclosures (continued)

	LION NATHAN LIMITED SHAREHOLDINGS (NUMBER OF SHARES HELD) – 2007			
	BALANCE 1/10/2006	ALLOCATED ON EXERCISE OF ACHIEVEMENT RIGHTS [1]	NET CHANGE OTHER	BALANCE 30/9/2007
Directors				
GT Ricketts	25,000	–	–	25,000
GLL Barnes	10,000	–	–	10,000
GR Walker	–	–	–	–
BK Ward	–	–	–	–
PH Bush	–	–	–	–
K Aramaki	–	–	–	–
M Yokomizo	–	–	–	–
F Miki	–	–	–	–
N Asano	–	–	–	–
H Oshima	–	–	–	–
RA Murray	–	–	–	–
AM Reeves	–	247,554	(247,554)	–
Other Key Management Personnel				
RP Barbour	100,600	126,463	–	227,063
P Kean	58,615	67,642	–	126,257
DH Makeig	53,700	129,950	–	183,650
RJ McKenzie	14,727	108,902	–	123,629
JC Tomlinson	340	208,468	41,532	250,340

[1] Certain Achievement Rights held by AM Reeves and P Kean are, under the terms of their individual plans, converted to shares on a net of tax basis, consequently these numbers do not agree to the table on Achievement Rights.

Notes to the Financial Statements continued

32. Financial instruments

Capital risk management framework

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders though the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt which includes the borrowings disclosed in note 20, cash and cash equivalents disclosed in note 9, issued capital disclosed in note 25 and retained earnings disclosed in note 27.

The Group has a commitment to disciplined capital management. The capital management program allows Lion Nathan to maintain appropriate gearing levels and capital structure, and is consistent with its operating cash flow profile and investment grade rating.

Financial risk management framework

The Group is exposed to a variety of financial risks in the normal course of its business activities which includes liquidity risk, credit risk, foreign exchange risk, commodity price risk and interest rate risk. The Company has no material risks in these areas with its exposures namely relating to intercompany balances.

The Group is governed by a Board approved Treasury Policy which defines the parameters within which risks of the Group will be managed. All risk management activities of the Group are centrally managed by the Treasury department. The Audit, Finance and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group is a party to derivative instruments for the purposes of mitigating or reducing the exposure to adverse movements in interest rates, foreign exchange rates and commodity prices (aluminium and sugar). Where hedge accounting applies, the Group on entering into the derivative instrument formally designates and documents the financial instrument as a hedge of the underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. The Group formally assesses both at the inception and at reporting dates thereafter, whether the financial instruments that are used in hedging transactions are effective in offsetting changes in either the fair value or the cashflows of the underlying exposure. Any ineffective portion of a financial instrument's change in fair value is immediately recognised in the income statement. Where effective this portion of a financial instrument's change in fair value is deferred in the hedging reserve and will be released when the anticipated transaction occurs. Derivatives not entered into and documented as a hedge relationship are measured at fair value with changes in fair value recognised in the income statement.

Notes to the Financial Statements continued

32. Financial instruments (continued)

	CARRYING AMOUNT 2008 $M	FAIR VALUE 2008 $M	CARRYING AMOUNT 2007 $M	FAIR VALUE 2007 $M
Net fair values of derivative instruments				
Derivative assets – current and non–current				
Contracts with positive fair values				
Current	**5.2**	**5.2**	1.5	1.5
Non–current	**13.3**	**13.3**	35.3	35.3
	18.5	**18.5**	36.8	36.8
The fair values of derivative financial instruments at 30 September designated as cash flow hedges are:				
Forward currency contracts	**5.3**	**5.3**	1.2	1.2
Interest rate swaps	**12.1**	**12.1**	35.4	35.4
Commodity contracts	**0.3**	**0.3**	–	–
The fair values of derivative financial instruments at 30 September designated for which hedge accounting has not been applied are:				
Interest rate options	**0.8**	**0.8**	0.2	0.2
Total	**18.5**	**18.5**	36.8	36.8
Derivative liabilities – current and non–current				
Contracts with negative fair values				
Current	**10.4**	**10.4**	17.3	17.3
Non–current	**125.5**	**125.5**	197.1	197.1
	135.9	**135.9**	214.4	214.4
The fair values of derivative financial instruments at 30 September designated as cash flow hedges are:				
Forward currency contracts	**0.7**	**0.7**	3.2	3.2
Interest rate swaps	**16.8**	**16.8**	0.4	0.4
Cross currency interest rate swaps	**118.3**	**118.3**	210.3	210.3
Commodity contracts	**0.1**	**0.1**	–	–
The fair values of derivative financial instruments at 30 September designated for which hedge accounting has not been applied are:				
Interest rate swaps	–	–	0.5	0.5
Total	**135.9**	**135.9**	214.4	214.4

Notes to the Financial Statements continued

32. Financial instruments (continued)

Liquidity risk

Liquidity risk management requires the active monitoring of the Group's forecasted cash inflows and outflows, matching the timings of these cashflows to the maturity profiles of the assets and liabilities.

The Group manages liquidity risk by maintaining adequate liquidity reserves through committed borrowing facilities and by continuously monitoring forecast and actual cash flows. At reporting date the committed and unused facilities of the Group are reported in note 21.

The table below details the Group's financial liabilities and derivative financial instruments into the relevant maturity profiles. The table is drawn up based on the undiscounted cash flows of the financial liabilities and derivative financial instruments based on the earliest date the Group may be required to pay. The table includes both principal and interest cash flows.

	CONSOLIDATED PRINCIPAL/MATURITIES				
	1 YEAR OR LESS $M	2 TO 3 YEARS $M	3 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL $M
2008					
Current payables	415.9	–	–	–	**415.9**
Other non-current payables	–	14.2	–	–	**14.2**
Borrowings – at amortised cost	(63.1)	(753.5)	(435.6)	(626.7)	**(1,878.9)**
Commodity financial instruments	0.2	–	–	–	**0.2**
Foreign currency financial instruments	2.2	0.7	–	–	**2.9**
Interest rate derivatives[a]	1.4	(7.5)	0.8	1.8	**(3.5)**
Cross currency interest rate swaps					
– AUD/USD	(22.7)	(41.0)	(31.5)	(81.4)	**(176.6)**
– AUD/JPY	(6.7)	(28.6)	–	–	**(35.3)**
– NZD/USD	(25.4)	(34.2)	(33.4)	8.3	**(84.7)**
Total	**301.8**	**(849.9)**	**(499.7)**	**(698.0)**	**(1,745.8)**
[a] Interest rate derivatives					
– receive variable	89.6	152.9	95.1	117.6	**455.2**
– pay fixed	(88.2)	(160.4)	(94.3)	(115.8)	**(458.7)**
2007					
Current payables	360.3	–	–	–	**360.3**
Other non-current payables	–	4.9	–	–	**4.9**
Borrowings – at amortised cost	(286.2)	(437.3)	(250.5)	(255.9)	**(1,229.9)**
Commodity financial instruments	(0.1)	(0.1)	–	–	**(0.2)**
Foreign currency financial instruments	(2.2)	(1.5)	–	–	**(3.7)**
Interest rate derivatives[a]	14.7	6.4	4.2	3.4	**28.7**
Cross currency interest rate swaps					
– AUD/USD	(35.6)	(56.6)	(54.1)	(117.3)	**(263.6)**
– NZD/USD	(9.8)	(50.7)	–	–	**(60.5)**
Total	**41.1**	**(534.9)**	**(300.4)**	**(369.8)**	**(1,164.0)**
[a] Interest rate derivatives					
– receive variable	73.8	95.5	62.9	132.8	**365.0**
– pay fixed	(59.1)	(89.1)	(58.7)	(129.4)	**(336.3)**

Notes to the Financial Statements continued

32. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and derivative financial instruments.

To manage this risk, the Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions involving derivative financial instruments are with counterparties that are predominantly financial institutions. The Group controls risk through a combination of methods which refer to credit ratings, limits and monitoring procedures. The Group does not usually require collateral or other security to support financial instruments with credit risk.

The Group's Treasury Risk Management policy stipulates the parameters in which the Group's credit exposure to these financial institution counterparties are limited. As at balance sheet date, there was no breach of this policy and no significant concentration of credit risk with any single counterparty or group of counterparties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. In respect of those financial assets and the credit risk embodied within them, the Group holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets.

Refer to note 10 for credit risk on trade receivables.

Foreign exchange risk

The Group is party to a variety of foreign exchange risk management instruments, such as currency swaps, forward contracts and currency options.

These instruments are used to hedge firm commitments or highly probable forecast transactions such as foreign currency denominated receipts resulting from revenue denominated in foreign currencies, proceeds of anticipated asset sales, payments for some raw materials, capital equipment, liabilities and assets. The Treasury policy gives guidance of minimum and maximum levels of hedging required by the Group for particular types of foreign exchange exposures. If the transactions have been designated into valid cashflow hedge relationships the change in fair value of the derivative contracts will be recognised in earnings over the life of the derivative contract depending on the effectiveness testing and when the underlying exposure impacts earnings. For transactions entered into that hedge specific capital equipment any change in fair value of the derivative contract forms part of the initial asset and is recognised in the income statement as the asset is depreciated.

In 2000 and 2003, the Group raised a total of US$500 million in the United States traditional private placement debt market. The cross currency interest rate swap synthetically converts the US$ debt into either floating A$ debt or floating NZ$ debt. The fair value primarily includes the foreign exchange component of debt and the change of interest from fixed to floating. These were designated in effective hedge relationships.

The tables below provide information about the Group's exchange rate exposure.

		PRINCIPAL/MATURITIES				FAIR VALUE	
	WEIGHTED AVERAGE EXCHANGE RATE	1 YEAR OR LESS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL $M	ASSET $M	LIABILITY $M
2008							
Foreign currency forward and swap contracts							
AUD/USD	0.969	(9.8)	(2.2)	–	(12.0)	1.9	–
AUD/NZD	1.287	(0.8)	–	–	(0.8)	0.1	–
AUD/GBP	0.473	2.1	–	–	2.1	–	0.1
AUD/EUR	0.602	(18.7)	–	–	(18.7)	1.0	–
AUD/JPY	90.50	(2.2)	–	–	(2.2)	0.1	0.1
NZD/USD	0.752	(19.9)	(7.1)	–	(27.0)	1.5	0.1
NZD/AUD	0.795	(9.5)	–	–	(9.5)	–	0.4
NZD/GBP	0.384	4.0	–	–	4.0	–	0.1
NZD/EUR	0.503	(19.0)	–	–	(19.0)	0.8	–
Other	–	0.6	–	–	0.6	–	–
Cross currency interest rate swaps							
US Private Placements:							
Pay AUD receive USD	0.655	60.2	180.5	310.1	550.8	–	94.5
Pay NZD receive USD	0.570	–	147.1	–	147.1	–	23.4
Japanese Syndicated loans:							
Pay AUD receive JPY	87.73	–	–	341.9	341.9	–	0.4
Total		**(13.0)**	**318.3**	**652.0**	**957.3**	**5.4**	**119.1**

At 30 September 2008, had the Australian dollar strengthened/weakened by 10% against the respective foreign currencies with all other variables held constant, there would be no material impact on profit after tax for the current and prior year. Other equity reserves would have changed by ($2.6m)/$3.2m (2007: ($1.3m)/$1.7m).

Notes to the Financial Statements continued

32. Financial instruments (continued)

Foreign exchange risk (continued)

		PRINCIPAL/MATURITIES				FAIR VALUE	
	WEIGHTED AVERAGE EXCHANGE RATE	1 YEAR OR LESS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL $M	ASSET $M	LIABILITY $M
2007							
Foreign currency forward and swap contracts							
AUD/NZD	1.164	(2.5)	–	–	(2.5)	–	–
AUD/GBP	0.416	3.1	–	–	3.1	0.1	–
AUD/EUR	0.585	(24.0)	(4.7)	–	(28.7)	0.1	1.3
NZD/USD	0.687	(19.2)	(11.8)	–	(31.0)	0.2	1.6
NZD/AUD	0.878	(7.4)	–	–	(7.4)	0.2	–
NZD/GBP	0.350	8.0	–	–	8.0	0.4	0.1
NZD/EUR	0.527	(7.7)	–	–	(7.7)	0.2	0.2
Other	–	0.9	–	–	0.9	–	–
Cross currency interest rate swaps							
US Private Placements:							
Pay AUD receive USD	0.655	60.2	240.6	310.1	610.9	–	167.9
Pay NZD receive USD	0.570	–	150.6	–	150.6	–	42.4
Total		**11.4**	**374.7**	**310.1**	**696.2**	**1.2**	**213.5**

The average interest rates on the cross currency interest rate swaps are paying BBSW +90bp on the AUD notional amount for 2008 A$551m (2007: A$611m), receiving 6.6% on the USD notional amount for 2008 US$360m (2007: US$400m) and paying BKBM +57bp on the NZD notional amount (NZ$175m) and receiving 3.76% on the USD notional amount (US$100m).

Commodity price risk

The Group has exposure to global aluminium and sugar commodity prices which are quoted in USD. Commodity swaps and options have been used in the past to mitigate or reduce our exposure to adverse movements in the global spot prices for these commodities. At balance sheet date no aluminium derivative instruments of this nature were held as the terms of agreement with suppliers have been amended to have certain quantities of aluminium fixed at a local currency price to reduce the Group's risk to fluctuating commodity and foreign exchange prices.

The outstanding sugar derivative contracts at balance date is as disclosed below:

		PRINCIPAL/MATURITIES			FAIR VALUE	
	AVERAGE PRICE	1 YEAR OR LESS $M	1 TO 5 YEARS $M	TOTAL $M	ASSET $M	LIABILITY $M
Sugar commodity swaps[a]						
2008	**337.6**	**2.4**	–	**2.4**	**0.3**	–
2007	–	–	–	–	–	–

[a] Australian dollars per metric tonne
The Australian price has been translated from USD at the closing exchange rate at reporting date of 0.806.

At balance sheet date, had the price of sugar strengthened/weakened by 10%, assuming a constant exchange rate, there would be no material impact on profit after tax for the current and prior year. Other equity reserves would have changed by $0.2m/($0.2m) (2007: nil).

Notes to the Financial Statements continued

32. Financial instruments (continued)

Interest rate risk

The Group enters into a variety of financial instruments to manage the exposure to interest rates arising from its borrowings. The objective of the interest rate risk management policy is to obtain lower overall interest costs and to achieve a more stable and predictable interest expense. Lion Nathan has a policy to maintain the percentage of fixed and variable debt within predetermined limits. Interest rate swaps and options are entered into to maintain the mix of fixed and variable rate debt in accordance with those limits. For interest rate swap agreements, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest expense over the life of the asset. Interest rate swaps have been taken to fully match the cross currency interest rate swap relating to the United States private placement debt in both notional principal amounts and maturity dates.

The table below provides information about Lion Nathan's interest rate exposure and should be read in conjunction with note 20. The weighted average rate is determined based on a weighting using the principal amount or contract notional value for derivatives and the interest rate.

		PRINCIPAL/MATURITIES				CARRYING AMOUNT		FAIR VALUE	
	WEIGHTED AVERAGE RATE %PA	1 YEAR OR LESS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL $M	ASSET $M	LIABILITY $M	ASSET $M	LIABILITY $M
2008									
Interest bearing									
Receivable for Auckland Brewery[a]	8.0	–	75.9	–	75.9	75.9	–	75.9	–
Cash	5.9	45.3	–	–	45.3	44.8	–	44.8	–
Loans by Lion Nathan	8.0	0.5	10.5	–	11.0	11.0	–	11.0	–
Money Market	8.1	(3.4)	–	–	(3.4)	–	(3.4)	–	(3.4)
Bank loan facilities	8.1	–	(933.5)	(50.0)	(983.5)	–	(983.5)	–	(983.5)
US Private Placement[b]	5.8	(49.5)	(272.4)	(244.9)	(566.8)	–	(566.8)	–	(566.8)
Finance lease liabilities	6.7	–	(0.3)	(0.8)	(1.1)	–	(1.1)	–	(1.1)
Other loans	7.6	(0.2)	(0.8)	(0.4)	(1.4)	–	(1.4)	–	(1.4)
Total		**(7.3)**	**(1,120.6)**	**(296.1)**	**(1,424.0)**	**131.7**	**(1,556.2)**	**131.7**	**(1,556.2)**
Interest rate derivatives									
Swaps	6.6	190.2	799.4	588.4	1,578.0	12.5	(15.6)	12.5	(15.6)
Interest rate options									
Purchased	7.7	–	103.8	–	103.8	0.4	–	0.4	–
Sold	6.4	–	103.8	–	103.8	–	(1.2)	–	(1.2)
Total[c]		**190.2**	**1,007.0**	**588.4**	**1,785.6**	**12.9**	**(16.8)**	**12.9**	**(16.8)**

[a] Receivable for the sale of the Auckland Brewery has been recognised at its cash price equivalent using a rate of 8.0%.

[b] In 2000 and 2003, Lion Nathan raised a total of US$500m in the United States traditional private placement debt market. Through the use of cross currency interest rate swaps and interest rate swaps US$400m has been swapped back into fixed rate A$ debt and US$100m has been swapped back into fixed rate NZ$ debt. Lion Nathan recognises the private placement debt carrying amount at amortised cost in USD translated at the period closing exchange rate. The derivative instruments have been designated in an effective cashflow hedging relationship.

[c] In 2008, the Group entered into forward starting swaps, with $278.3m forward starting in December 2008 and $41.9m forward starting in February 2010.

At 30 September 2008, if interest rates had changed by +/- 10% on each product type, with all other variables held constant, the post tax profit would have changed by ($1.3m)/$1.3m (2007: ($1.5m)/$1.9m). Other equity reserves would also have changed by $13.7m/($14.9m) (2007: $10.5m/($5.4m)).

Notes to the Financial Statements continued

32. Financial instruments (continued)

Interest rate risk (continued)

		PRINCIPAL/MATURITIES				CARRYING AMOUNT		FAIR VALUE	
	WEIGHTED AVERAGE RATE %PA	1 YEAR OR LESS $M	1 TO 5 YEARS $M	OVER 5 YEARS $M	TOTAL $M	ASSET $M	LIABILITY $M	ASSET $M	LIABILITY $M
2007									
Interest bearing									
Receivable for Auckland Brewery[a]	8.0	–	70.6	–	70.6	70.6	–	70.6	–
Cash	4.1	6.9	–	–	6.9	6.9	–	6.9	–
Loans by Lion Nathan	7.6	–	5.8	–	5.8	5.8	–	5.8	–
Bank overdraft	8.5	(1.5)	–	–	(1.5)	–	(1.5)	–	(1.5)
Money Market	6.2	(22.7)	–	–	(22.7)	–	(22.7)	–	(22.7)
Bank loan facilities	7.4	–	(337.4)	–	(337.4)	–	(337.4)	–	(337.4)
Receivables securitisation	8.1	–	(100.0)	–	(100.0)	–	(100.0)	–	(100.0)
US Private Placement[b]	6.0	(45.3)	(294.0)	(225.8)	(565.1)	–	(565.1)	–	(575.4)
Finance lease liabilities	6.7	(0.1)	(0.2)	(0.9)	(1.2)	–	(1.2)	–	(1.2)
Other loans	7.6	(0.2)	(0.7)	(0.6)	(1.5)	–	(1.5)	–	(1.5)
Total		**(62.9)**	**(655.9)**	**(227.3)**	**(946.1)**	**83.3**	**(1,029.4)**	**83.3**	**(1,039.7)**
Interest rate derivatives									
Swaps	6.0	80.2	517.0	310.1	907.3	35.4	(0.9)	35.4	(0.9)
Interest rate options									
Purchased	6.5	–	20.0	–	20.0	0.2	–	0.2	–
Sold	6.1	–	20.0	–	20.0	–	–	–	–
Total		**80.2**	**557.0**	**310.1**	**947.3**	**35.6**	**(0.9)**	**35.6**	**(0.9)**

[a] Receivable for the sale of the Auckland Brewery has been recognised at its cash price equivalent using a rate of 8.0%.

[b] In 2000 and 2003, Lion Nathan raised a total of US$500m in the United States traditional private placement debt market. Through the use of cross currency interest rate swaps and interest rate swaps US$400m has been swapped back into fixed rate A$ debt and US$100m has been swapped back into fixed rate NZ$ debt. Lion Nathan recognises the private placement debt carrying amount at amortised cost in USD translated at the period closing exchange rate. The derivative instruments have been designated in an effective cashflow hedging relationship.

[c] In 2008, the Group entered into forward starting swaps, with $278.3m forward starting in December 2008 and $41.9m forward starting in February 2010.

Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Except for financial instruments carried at fair value through the profit and loss, transaction costs are included in the determination of fair value.

33. Related party information

Parent entity

The parent entity in the consolidated entity and the ultimate parent entity is Lion Nathan Limited.

Transactions with related parties

During the year Lion Nathan Limited advanced and repaid loans, sold and purchased goods and services and provided accounting and administrative assistance to its wholly-owned controlled entities.

All transactions with related parties except for certain intragroup loans and the transactions detailed below, are on commercial terms and conditions. Except for the amounts disclosed below, no material amounts were receivable from, or payable to, related parties as at 30 September 2008, and no material transactions with related parties occurred during the year.

Transactions with associate entities

New Zealand Breweries Limited has a 50% interest in the Associated Bottlers Company Limited. New Zealand Breweries Limited purchased $4,822,549 of raw materials from the Associated Bottlers Company Limited (2007: $6,297,103) on normal trading terms. New Zealand Breweries Limited also received funding from the Associated Bottlers Company Limited, on which interest expense of $97,552 was charged and a net payable of $1,173,512 resulted at year-end.

Notes to the Financial Statements continued

33. Related party information (continued)

Transactions with associate entities (continued)

Indio Beverages Pty Limited ("Indio"), a wholly-owned subsidiary of Lion Nathan Australia Pty Limited ("Lion Nathan Australia"), has a 50% share in the Bacardi Lion joint venture ("Bacardi Lion"). As part of the joint venture agreement, Lion Nathan Australia imports, distributes and sells Bacardi brands on behalf of the joint venture. Due to the nature of the agency agreement, Lion Nathan Australia does not recognise the revenue or related expense arising from the sale of these Bacardi products. Bacardi Lion paid Lion Nathan Australia an administration fee of $1,016,307 (2007: $951,794) and a warehouse and distribution fee of $2,514,863 (2007: $2,431,330) for the back office, manufacturing, warehousing and distribution services provided by Lion Nathan Australia during the year.

Lion Nathan Australia also manages the working capital of Bacardi Lion resulting in a net payable balance due to Bacardi Lion of $11,387,296 as at 30 September 2008 (2007: $2,094,000 net payable). This net payable is classified as a non-current loan to associates in the financial statements. Lion Nathan Australia received a $1,811,072 interest fee for financing the Bacardi Lion working capital (2007: $1,603,667). Lion Nathan Australia also incurred an interest expense of $1,787,312 (2007: $1,573,698) in relation to the recovery of interest paid by Bacardi Lion on a loan entered into in August 2004 to fund its working capital requirements externally. This loan is guaranteed jointly by Lion Nathan Australia and Bacardi-Martini, and at year-end amounted to $29,711,429 (2007: $17,966,724), representing a seasonal funding arrangement with a limit of $35,000,000. Lion Nathan Limited has provided a loan of $3,043,686 to Bacardi Lion (2007: $2,009,400). Lion Nathan Finance Australia has also provided funding, resulting in a receivable of $109,160 at year-end. Indio has an amount of $2,792,000 (2007: $2,792,000) payable to Bacardi Lion in relation to joint venture subscription capital.

In addition to the joint venture agreement, Lion Nathan manufactures some ready to drink brands and Steinlager on behalf of Bacardi Lion. Sales in relation to this manufacturing arrangement were $47,328,384 (2007: $47,986,064).

Lion Nathan Australia has a 50% interest in the Heineken Lion joint venture ("Heineken Lion"). As part of the joint venture agreement, Lion Nathan Australia purchased Heineken products from Heineken Lion of $21,339,296 in 2008 (2007: $27,179,338). Lion Nathan Australia was charged a sales fee by Heineken Lion of $56,635,535 (2007: $62,927,079), and Lion Nathan Australia recharged Heineken Lion for discounts, warehousing and distribution costs and other selling expenses totalling $28,737,416 (2007: $27,311,981). As a result of this arrangement, Lion Nathan Australia have recorded a net payable of $5,548,435 (2007: $1,415,484) to Heineken Lion at year-end.

In 2007 the Lion Nathan Group also sold beer to associate companies involving the joint ownership of hotels and other venues on normal trading terms.

In October 2006, the BevChain joint venture with Linfox Pty Ltd ("Linfox") commenced business. BevChain provides warehousing and distribution services to the total Lion Nathan Group and other participants in Australia. Lion Nathan and Linfox each hold a 50% interest. Lion Nathan Australia was charged $54,545,438 for warehouse and distribution services provided by BevChain during the 2008 financial year (2007: $40,579,617). This resulted in a $3,827,046 payable at year-end (2007: $107,370). In addition, Lion Nathan Wine Group Australia paid $6,354,378 for warehousing and distribution services provided by BevChain in 2008 (2007: $839,681), resulting in a receivable of $80,496 at year-end.

Loans to and from associate entities are detailed in notes 10 and 19 respectively.

Other related entities

Kirin Brewery Company Limited ("Kirin") received $475,000 (2007: $527,500) pursuant to a Strategic and Management Advice Agreement. This resulted in a payable of $237,500 at year-end. Lion Nathan incurred costs in relation to compliance with the new Financial Instruments and Exchange Law of Japan (Japanese Sarbanes-Oxley). Costs of $218,413 were reimbursed by Kirin in 2008.

Kirin has granted Lion Nathan a license to manufacture, market and sell "Kirin Ichiban" in Australia and New Zealand. As part of the license agreement, Lion Nathan pays Kirin a license fee based on the number of litres sold. The 2008 license fee was $385,369 (2007: $219,357). Lion Nathan received a marketing rebate in 2008 from Kirin of $529,224 (2007: $227,681).

New Zealand Breweries Limited purchased $146,167 of hops from Kirin during 2008.

Lion Nathan Australia did not have any malt purchases from Kirin in 2008 (2007: $792,999) but purchased $309,455 (2007: $90,541) of hops from Kirin, resulting in a payable of $103,467 (2007: $46,930) at year-end.

Four Roses Distillery LLC is a wholly-owned subsidiary of Kirin. During the 2008 financial year, Lion Nathan Australia purchased $872,193 (2007: $482,839) of bourbon from Four Roses Distillery LLC. There were no amounts outstanding at year-end (2007: payable of $79,085).

Lion Nathan Wines & Spirits (New Zealand) Limited purchased $730,164 (2007: $567,091) of bourbon from Four Roses Distillery LLC in 2008. There were no amounts outstanding at year-end (2007: $225,636 payable).

Contract Bottling Company Limited purchased $580,361 (2007: $710,840) of bourbon from Four Roses Distillery LLC in 2008. There were no amounts outstanding at year-end (2007: $298,703 payable).

The Lion Nathan Wine Group Australia sells wine to Kirin on normal trading terms. In 2008, these sales amounted to $796,773 (2007: $722,397), resulting in a receivable from Kirin of $129,160 (2007: $1,088) at year-end.

Wither Hills Vineyard Marlborough Limited ("Wither Hills") sells wine to Kirin on normal trading terms. In 2008, these sales amounted to $46,359 (2007: $113,791), resulting in a payable to Kirin of $221 (2007: $15,868 receivable) at year-end.

Key Management Personnel

Key management personnel who held office during the year are listed in note 31. Key management personnel holdings of Lion Nathan Limited securities are included in note 31.

Details of key management personnel remuneration are disclosed in note 31.

Transactions with key management personnel and their personally-related entities

Transactions entered into during the period with key management personnel of Lion Nathan Limited and its controlled entities and with their personally-related entities which are within normal customer or employee relationships on terms and conditions no more favourable than those available to other customers, employees or shareholders include:

- dividends from shares in Lion Nathan Limited;
- sale of goods and services; and
- reimbursement of expenses.

There are no outstanding loans to Directors of Lion Nathan Limited or its controlled entities.

Notes to the Financial Statements continued

34. Commitments for expenditure

		CONSOLIDATED		LION NATHAN LIMITED	
	NOTE	30 SEP $M 08	30 SEP $M 07	30 SEP $M 08	30 SEP $M 07
Contracted capital expenditure					
Estimated capital expenditure contracted for at balance date but not provided for:					
Payable within one year		**114.7**	104.3	**1.6**	2.4
Payable between 1 and 5 years		**56.4**	4.3	**–**	–
Total contracted capital expenditure		**171.1**	108.6	**1.6**	2.4
Share of associates' contracted capital expenditure					
Payable within one year		**14.6**	3.2	**–**	–
Contracted lease and hire expenditure					
Operating leases					
Non-cancellable payable:					
– within 1 year		**25.7**	21.0	**2.4**	1.5
– between 1 and 5 years		**50.9**	49.0	**10.8**	8.8
– after 5 years		**29.2**	33.8	**17.0**	12.9
Total contracted lease and hire expenditure not otherwise provided for in the financial statements		**105.8**	103.8	**30.2**	23.2
Share of associates' operating lease commitments					
Non-cancellable payable:					
– within 1 year		**4.0**	1.9	**–**	–
– between 1 and 5 years		**8.0**	5.1	**–**	–
– after 5 years		**4.8**	4.1	**–**	–
Total share of associates' operating lease commitments		**16.8**	11.1	**–**	–
Finance lease liabilities					
– within 1 year		**0.1**	0.1	**–**	–
– between 1 and 5 years		**0.2**	0.2	**–**	–
– after 5 years		**0.8**	0.9	**–**	–
Total finance lease liabilities		**1.1**	1.2	**–**	–
Included in the financial statements as:					
Current borrowings	20	**0.1**	0.1	**–**	–
Non-current borrowings	20	**1.0**	1.1	**–**	–
		1.1	1.2	**–**	–

Operating leases relate to vineyards, warehouses, office space, hotel buildings and plant and equipment. Some leases include terms providing an option to renew the lease. These leases generally contain market review clauses to adjust terms and conditions upon renewal. There are no options to purchase the relevant assets on expiry of the lease.

Marketing commitments

	1 YEAR $M	1-5 YEARS $M	AFTER 5 YEARS $M	TOTAL $M
2008	**48.5**	**95.8**	**13.6**	**157.9**
2007	31.2	94.0	14.0	139.2

Notes to the Financial Statements continued

35. Contingent liabilities

	CONSOLIDATED		LION NATHAN LIMITED	
	30 SEP $M 08	30 SEP $M 07	**30 SEP $M 08**	30 SEP $M 07
Contingent liabilities, capable of estimation, arise in respect of the following categories:				
Various performance and other guarantees provided to third parties by Lion Nathan Limited and its controlled entities	**20.8**	23.1	**18.6**	20.8
Arising from equity accounted investments				
Consolidated entity's share of associate's contingent liabilities	**–**	–	**–**	–

As disclosed in note 36, entities within the Lion Nathan Limited group have entered into a deed of cross guarantee with Lion Nathan Limited, pursuant to ASIC Class Order 98/1418. The consolidated income statement and balance sheet of entities which are party to the deed of cross guarantee are disclosed in note 36.

Notes to the Financial Statements continued

36. Particulars relating to controlled entities

Acquisition of businesses

NAME OF BUSINESSES ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARES ACQUIRED (%)	COST OF ACQUISITION $M
J. Boag & Son Holdings Pty Limited	Brewery	02-Jan-08	100	324.4
Cumulus Wines, Inc	Distribution	30-May-08	100	2.5
				326.9

NET ASSETS ACQUIRED	BOOK VALUE $M	FAIR VALUE ADJUSTMENT $M	FAIR VALUE ON ACQUISITION $M
Current assets:			
Cash and cash equivalents	0.1	–	0.1
Trade and other receivables	19.0	–	19.0
Inventories	6.4	(0.6)	5.8
Non-current assets:			
Property, plant and equipment	43.2	7.7	50.9
Intangibles	58.3	3.1	61.4
Deferred tax assets	1.1	2.5	3.6
Current liabilities:			
Payables and provisions	(23.9)	(8.2)	(32.1)
Non-current liabilities:			
Payables and provisions	(0.3)	(0.4)	(0.7)
Deferred tax liabilities	–	(2.6)	(2.6)
Net assets acquired	**103.9**	**1.5**	**105.4**
Goodwill on acquisitions			221.5
			326.9

Net cash flow on acquisitions	$M
Total purchase consideration	326.9
Less: non-cash consideration	(0.9)
Consideration paid in cash	326.0
Less: cash and cash equivalent balances acquired	(0.1)
Outflow of cash	325.9

The Group has paid a premium for J. Boag & Son Holdings Pty Limited and Cumulus Wines, Inc as it believes the acquisitions will create synergistic benefits to its existing operations.

The cost of acquisition of J. Boag & Son Holdings Pty Limited comprised net assets acquired of $104.8m and goodwill on acquisition of $219.6m. The cost of acquisition of Cumulus Wines, Inc comprised net assets acquired of $0.6m and goodwill on acquisition of $1.9m.

Notes to the Financial Statements continued

36. Particulars relating to controlled entities (continued)

	% LION NATHAN LIMITED OWNERSHIP	
	2008	2007
Chief Entity – Incorporated in Australia		
Lion Nathan Limited (1)		
Controlled Entities Incorporated in Australia		
ACN 116 149 510 Pty Limited (2)	100	100
ACN 116 149 092 Pty Limited (2)	100	100
ACN 087 046 142 Pty Limited (6) (8)	–	100
ACN 094 863 135 Pty Limited (6) (8)	–	100
ACN 009 310 285 Pty Limited (2) (3)	100	100
ACN 007 026 413 Pty Limited (6) (8)	–	100
ACN 062 819 345 Pty Limited (6) (8)	–	100
ACN 093 133 638 Pty Limited (6) (8)	–	100
ACN 057 847 284 Pty Limited (6) (8)	–	100
ACN 065 905 535 Pty Limited (6) (8)	–	100
ACN 002 616 364 Pty Limited (2) (4)	100	–
ACN 011 057 480 Pty Limited (2) (4)	100	–
ACN 073 861 097 Pty Limited (2) (4)	100	–
ACN 074 057 471 Pty Limited (2) (4)	100	–
Ackland Vineyard Pty Limited (6) (8)	–	100
Actraint No.33 Pty Limited (2) (3)	100	100
Adelaide Bottle Company Pty Limited (2)	100	100
Anglo–Gaelic Investments Pty Limited (2)	100	100
Bainimarama Pty Limited (2)	100	100
Balcatta Nominees Pty Limited (2) (3)	100	100
Banksia Wines Limited (2) (5)	100	100
Barserv Technologies Pty Limited (2) (3)	100	100
Bennington Pty Limited (2) (3)	100	100
BBH Securities Pty Limited (2) (3)	100	100
Bridgewater Mill (Properties) Pty Limited (6) (8)	–	100
Bridgewater Mill Vineyards Pty Limited (2) (3)	100	100
Cabezon Pty Limited (2) (3)	100	100
Castlemaine Perkins Pty Limited (2) (5)	100	100
Clintford Pty Limited (2) (3)	100	100
Clarendon Vineyards Pty Limited (6) (8)	–	100
Coach House Motor Inns Pty Limited (2) (3)	100	100
Coach House Motor Inns (Canberra) Pty Limited (2) (3)	100	100
Coach House Motor Inns (Cooma) Pty Limited (2) (3)	100	100
The Combined Liquor Marketing Company Of Queensland Limited (2) (3)	100	100
Consac Pty Limited (2) (3)	100	100
CP Bottle Washer Pty Limited (2) (3)	100	100
Daltex Pty Limited (2) (3)	100	100
Dimola Pty Limited (2) (3)	100	100
Distinguished Vineyards (SA) Pty Limited (6) (8)	–	100

Notes to the Financial Statements continued

36. Particulars relating to controlled entities (continued)

	% LION NATHAN LIMITED OWNERSHIP	
	2008	2007
Dobella Pty Limited (2)	100	100
Dublin Distributing Company (Australia) Pty Limited (2) (3)	100	100
Enterprise Wines Pty Limited (6) (8)	–	100
Evans 2 Pty Limited (6) (8)	–	100
Fenton Pty Limited (2) (3)	100	100
Finchley (NT) Pty Limited (2) (3)	100	100
Fine Wine Partners Australia Pty Limited (2) (9)	100	50
Finisterra Pty Limited (6) (8)	–	100
Freemantle Brewing Company Pty Limited (2) (3)	100	100
Gores Road Vineyards Pty Limited (6) (8)	–	100
Hahn Brewing Company Pty Limited (2)	100	100
Hanlin Hill Pty Limited (6) (8)	–	100
Highbury Services Pty Limited (2) (3)	100	100
The Hospitality Management Company Pty Limited (2) (3)	100	100
Inner Circle Distillery Pty Limited (2)	100	100
Inner Circle Rum Pty Limited (2)	100	100
Indio Beverages Pty Limited (2) (5)	100	100
INVU2 Pty Limited (2) (3)	100	100
J. Boag & Son Brewing Pty Ltd (2) (4) (5)	100	–
J. Boag & Son Employee Share Plan Pty Ltd (2) (4)	100	–
J. Boag & Son Group Pty Ltd (2) (4) (5)	100	–
J. Boag & Son Holdings Pty Ltd (formerly San Miguel Australia Holdings Pty Limited) (2) (4) (5)	100	–
J. Boag & Son Hospitality Pty Ltd (2) (4)	100	–
J. Boag & Son Pty Ltd (2) (4) (5)	100	–
James Squire Brewhouse Pty Limited (2)	100	100
Jumbuck Holdings Pty Limited (2) (3)	100	100
Kent Town Maltings Pty Limited (2) (3)	100	100
Keverin Pty Limited (2) (3)	100	100
Kovola Pty Limited (2) (3)	100	100
Lamicroft Pty Limited (2) (4)	100	–
Lion Pty Limited (formerly LNX Pty Limited) (2)	100	100
Lion Australasia Pty Limited (formerly Libretto Investments Pty Limited) (2) (3)	100	100
Lion Beverages Pty Limited (formerly Lion E-Commerce Pty Limited) (2)	100	100
Lion Breweries Pty Limited (formerly Lion Nathan Group Pty Limited) (2)	100	100
Lion Investments Pty Limited (2) (3)	100	100
Lion Nathan Australia Pty Limited (2) (5)	100	100
Lion Nathan Brewing Investments Pty Limited (2) (5)	100	100
Lion Nathan Enterprises Pty Limited (2) (5)	100	100
Lion Nathan Finance (Australia) Pty Limited (2)	100	100
Lion Nathan International Pty Limited (2)	100	100
Lion Nathan Nominees Pty Limited (2)	100	100
Lion Nathan NT Pty Limited (2) (3)	100	100

Notes to the Financial Statements continued

36. Particulars relating to controlled entities (continued)

	% LION NATHAN LIMITED OWNERSHIP	
	2008	2007
Lion Nathan Property Pty Limited [2] [3]	100	100
Lion Nathan Wine Pty Limited (formerly Lion Nathan Wine Group Australia Limited) [2] [5]	100	100
Lion PSBA Pty Limited [2] [3]	100	100
LD Nathan & Co Investments Pty Limited [2] [3]	100	100
LD Nathan Properties Pty Limited [2] [3]	100	100
LN Nominees Pty Limited [2]	100	100
Mac's (Ivanhoe) Pty Limited [2] [3]	100	100
Mac's (Richmond) Pty Limited [2] [3]	100	100
Malt Shovel Brewery Pty Limited [2]	100	100
Marine Stores Pty Limited	75	75
Mitchelton Vineyards Pty Limited [6] [8]	–	100
Munich Marketing Company (Australia) Pty Limited [2] [3]	100	100
National Breweries Pty Limited [2] [3]	100	100
National Brewing New South Wales Pty Limited [2] [3]	100	100
National Brewing Western Australia Pty Limited [2] [3]	100	100
National Mining Holdings Pty Limited [2] [3]	100	100
Necora Pty Limited [2] [3]	100	100
OSB Operations Pty Limited [2]	100	100
Port Phillip Bay Beer Company Pty Limited [2] [3]	100	100
Pluteus (No.2) Pty Limited [2] [3]	100	100
Prejudice One Pty Limited [2] [3]	100	100
Premium Beer Company Pty Limited [2]	100	100
Promex Services Pty Limited [2] [3]	100	100
Residential Developments Pty Limited [2] [3]	100	100
Ripwood Pty Limited [2] [4] [5]	100	–
S.A.B Properties Pty Limited [2] [3]	100	100
San Remo (Camberwell) Pty Limited [2] [3]	100	100
San Remo (Flinders Street) Pty Limited [2]	100	100
Savillia Pty Limited [2] [3]	100	100
Scotcove Pty Limited [2] [4]	100	–
Sharefarmers Pty Limited [6] [8]	–	100
Smithbrook Vineyards Pty Limited [2] [3]	100	100
The South Australian Brewing Company Pty Limited [2] [5]	100	100
SPE Joanna Pty Limited [6] [8]	–	100
Suprafin Pty Limited [2] [3]	100	100
Sutherland Street Pty Limited [2] [3]	100	100
The Swan Brewery Company Pty Limited [2] [5]	100	100
Sydney Brewery (Distributions) Pty Limited [2] [3]	100	100
Tatachilla Holdings Pty Limited [6] [8]	–	100
Tizzelle Pty Limited [2] [3]	100	100
Taston Pty Limited [2] [3]	100	100
Lion Nathan Victoria Pty Limited (formerly Tooheys Brewing Company Pty Limited) [2] [5]	100	100

Notes to the Financial Statements continued

36. Particulars relating to controlled entities (continued)

	% LION NATHAN LIMITED OWNERSHIP	
	2008	2007
Tooheys (Civic) Pty Limited [(2) (3)]	100	100
Tooheys Pty Limited [(2) (5)]	100	100
Tresjade Pty Limited [(2) (3)]	100	100
The Victorian Wine Company Pty Limited [(6) (8)]	–	100
Yertabulti Pty Limited [(6) (8)]	–	100
Controlled Entities Incorporated in New Zealand		
Artesian Limited	100	100
Barserv Technologies Limited	100	100
Barserv Technologies (SI) Limited	100	100
Benmorven Holdings Limited [(10)]	–	100
Canterbury Brewery Limited	100	100
The Captain Cook Brewery Limited	100	100
Contract Bottling Company Limited	100	100
Copia Enterprises Limited [(8)]	–	100
Geal Investments Limited	100	100
Hawkes Bay Brewery Limited	100	100
Leopard Brewery Limited	100	100
Lion Brewery Limited	100	100
Lion Breweries (1985) Limited	100	100
Lion Film Productions Limited [(8)]	–	100
Lion Liquor Retail Limited	100	100
Lion Nathan Brands Company Limited	100	100
Lion Nathan Finance (New Zealand) Limited	100	100
Lion Nathan Group Properties Limited	100	100
Lion Nathan Nominees Limited	100	100
Lion Nathan Property Limited	100	100
Lion Nathan Soft Drink Investments Limited	100	100
Lion Nathan Wines & Spirits (New Zealand) Limited	100	100
Lion Video Entertainment Limited [(8)]	–	100
LD Nathan & Co Limited	100	100
LD Nathan & Co Nominees Limited [(8)]	–	100
LD Nathan Group Properties Limited	100	100
Maltexo Limited	100	100
Nathan Finance No.1 Limited [(8)]	–	100
New Zealand Breweries Limited	100	100
Seager Evans & Co Limited [(8)]	–	100
Shepherds Ridge Wine Estate Limited	100	100
Special Edition Beverages Limited	83	83
Speight's Brewery Limited	100	100
Steinlager Challenge Limited [(8)]	–	100
Target Beer Systems Limited	100	100
Tasman Bitter Limited	100	100

Notes to the Financial Statements continued

36. Particulars relating to controlled entities (continued)

	% LION NATHAN LIMITED OWNERSHIP	
	2008	2007
Unreal Limited (formerly Real Developments Limited)	100	100
Waikato Breweries (1987) Limited	100	100
Wither Hills Vineyard Marlborough Limited	100	100
Controlled Entities Incorporated in Hong Kong		
Lion Nathan Asia Limited	100	100
Lion Nathan China Brewing Group Limited	100	100
Vastnoon Limited[3]	100	100
Controlled Entities Incorporated in Singapore		
Lion Nathan Insurance (Singapore) Pte. Limited	100	100
Controlled Entities Incorporated in the United States of America		
Argyle Winery Inc	100	100
Lion Nathan North America Inc	100	100
Lion Nathan USA Inc[4]	100	–
New World Beverage Company Inc	100	100
Petaluma Vineyards Inc	100	100
Vineyard Holdings LLC[7]	100	–
Controlled Entities Incorporated in the Cook Islands		
Lion International Limited Cook Islands No. 75/85	100	100

[1] Lion Nathan Limited is the head entity within the tax consolidated group.

[2] These companies are members of the tax consolidated group.

[3] Controlled entity in liquidation – "members' voluntary winding up".

[4] Entity acquired in 2008.

[5] These wholly-owned controlled entities have entered into a deed of cross guarantee with Lion Nathan Limited under which each company guarantees the debts of the others. The entities became a party to the deed of cross guarantee on 9 September 2008. The entities listed below, which represent a subset of those covered by the deed, are relieved from the requirement to prepare a financial report and Directors' report under Individual Order [C098/1418] issued by the Australian Securities and Investments Commission.

Banksia Wines Limited
Castlemaine Perkins Pty Limited
Indio Beverages Pty Limited
J. Boag & Son Pty Limited
J. Boag & Son Brewing Pty Limited
J. Boag & Son Group Pty Limited
J. Boag & Son Holdings Pty Limited
Lion Nathan Australia Pty Limited
Lion Nathan Brewing Investments Pty Limited
Lion Nathan Enterprise Pty Limited
Lion Nathan Victoria Pty Limited
Lion Nathan Wine Pty Limited
Ripwood Pty Limited
The South Australian Brewing Company Pty Limited
The Swan Brewery Company Pty Limited
Tooheys Pty Limited

[6] These entities were previously part of the tax consolidated group.

[7] Controlled entity incorporated during 2008.

[8] Entity liquidated in 2008.

[9] Acquired 50% share from Tucker Seabrook (Australia) Pty Limited in 2008.

[10] Controlled entity sold.

Notes to the Financial Statements continued

36. Particulars relating to controlled entities (continued)

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 September 2008 of entities which are party to the deed of cross guarantee.

Consolidated income statement

	30 SEP $M 08	30 SEP $M 07
Sales revenue	**1,596.5**	1,442.8
Other revenue	**46.3**	62.0
Total revenue	**1,642.8**	1,504.8
Other income	**17.9**	3.6
Expenses	**(1,232.8)**	(1,134.2)
Finance costs	**(98.2)**	(82.3)
Share of net profits of associates accounted for using the equity method	**7.7**	6.0
Profit before income tax expense	**337.4**	297.9
Income tax expense	**(93.6)**	(64.6)
Net profit	**243.8**	233.3
Net profit attributable to minority interests	**(0.2)**	(0.1)
Net profit attributable to members of Lion Nathan Limited	**243.6**	233.2

Summary of movements in consolidated retained earnings

	30 SEP $M 08	30 SEP $M 07
Retained earnings at the beginning of the financial year	**546.7**	521.2
Net profit after tax	**243.6**	233.2
Dividends paid:		
– final dividend paid in respect of prior financial year	**(111.9)**	(106.5)
– interim dividend paid	**(106.5)**	(101.2)
Retained earnings at the end of the financial year	**571.9**	546.7

Notes to the Financial Statements continued

36. Particulars relating to controlled entities (continued)

Set out below is a consolidated balance sheet as at 30 September 2008 of entities which are party to the deed of cross guarantee.

	30 SEP $M 08	30 SEP $M 07
Current assets		
Cash	**40.3**	1.0
Receivables	**218.2**	227.1
Inventories	**147.5**	133.6
Derivative financial assets	**3.6**	0.5
Other	**23.2**	19.3
	432.8	381.5
Non-current assets classified as held for sale	**10.6**	–
Total current assets	**443.4**	381.5
Non-current assets		
Receivables	**30.1**	28.4
Inventories	**57.1**	39.9
Equity accounted investments	**27.1**	26.3
Other financial assets	**434.1**	412.6
Derivative financial assets	**11.9**	28.5
Property, plant and equipment	**747.0**	610.1
Grapevines	**11.0**	16.4
Deferred tax assets	**98.7**	47.7
Intangibles	**1,339.3**	1,045.5
Other	–	0.1
Total non-current assets	**2,756.3**	2,255.5
Total assets	**3,199.7**	2,637.0
Current liabilities		
Payables	**317.9**	281.3
Borrowings	**49.9**	80.8
Derivative financial liabilities	**9.8**	15.9
Current tax payable	**16.9**	25.5
Provisions	**66.8**	58.7
Total current liabilities	**461.3**	462.2
Non-current liabilities		
Payables	**167.8**	145.6
Borrowings	**1,294.4**	773.9
Derivative financial liabilities	**99.7**	153.4
Deferred tax liabilities	**160.9**	108.7
Provisions	**4.1**	5.3
Total non-current liabilities	**1,726.9**	1,186.9
Total liabilities	**2,188.2**	1,649.1
Net assets	**1,011.5**	987.9
Equity		
Parent entity interest		
Issued capital	**422.8**	423.1
Reserves	**16.4**	17.9
Retained earnings	**571.9**	546.7
Total parent equity	**1,011.1**	987.7
Minority interests	**0.4**	0.2
Total equity	**1,011.5**	987.9

Notes to the Financial Statements continued

37. Subsequent events

Subsequent to 30 September 2008 the Company announced that it had entered into discussions with Coca-Cola Amatil Limited ("CCA") regarding a potential merger between Lion Nathan and CCA where Lion Nathan would acquire all of the issued shares in CCA via a scheme of arrangement.

The proposed offer consideration is $6.15 in cash plus 0.469 Lion Nathan ordinary shares per CCA share ("Base Offer") which implies a total equity value of approximately $8.0 billion (including share options), with a consideration mix of approximately $4.5 billion of cash and approximately 346 million Lion Nathan ordinary shares.

The cash component of the proposed offer consideration ($4.5 billion) would be financed via:

- a fully committed placement to Kirin Holdings Company Limited ("Kirin") of up to 327 million new Lion Nathan ordinary shares at a subscription price of $11.50 per Lion Nathan ordinary share. The placement will raise approximately $3.76 billion of cash, will require Lion Nathan shareholder approval and is conditional upon the proposed merger proceeding; and
- a limited amount of transaction debt (approximately $800 million) for which Lion Nathan has obtained committed bank facilities.

The value of the Base Offer is $10.80 per CCA share ("Base Offer Value") which reflects the effective "uplift" in the value of Lion Nathan scrip received by CCA shareholders as a result of the placement of Lion Nathan shares at a premium to the current market price. Based on Lion Nathan's share price of $8.95 per share as at 14 November 2008, Lion Nathan's Ex-Placement Price ("EPP") will be $9.92 per Lion Nathan share.

Lion Nathan has also proposed a mix and match facility which would provide CCA shareholders with the opportunity to select either the Base Offer (which is $6.15 cash plus 0.469 Lion Nathan ordinary shares per CCA share), Maximum Cash Consideration (representing $10.25 cash per CCA share), or Maximum Scrip Consideration (which is 1.171 Lion Nathan ordinary shares per CCA share valued at $11.61 per CCA share based on an EPP of $9.92). Both the Maximum Cash Consideration and the Maximum Scrip Consideration are subject to scale back.

If the proposed merger is successfully completed, Kirin's resulting shareholding in Lion Nathan will be 47.5%, up from 46.1%, and Lion Nathan and Kirin intend adopting replacement "Partnership Principles", consistent with Lion Nathan's and Kirin's existing Partnership Principles. These principles are intended to ensure that the merged entity continues to be run as an Australian business with the majority of the board of directors being independent.

The merger would require the approval of a range of regulatory authorities including the ACCC, the NZCC, the FIRB, and would be subject to other customary conditions for a transaction of this nature. It will also require the support of both Lion Nathan shareholders (in relation to the placement) and CCA shareholders (in relation to the scheme of arrangement) in separate shareholder meetings. There is no certainty that a transaction will proceed or be consummated on the terms currently proposed.

Directors' Declaration

In the opinion of the directors of Lion Nathan Limited:

(a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements and notes are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the financial position and performance of the consolidated entity; and

(c) the directors' have been given the declarations required by s.295A of the Corporations Act 2001 by the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 September 2008.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 35 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Geoff Ricketts
CHAIRMAN

Robert Murray
CHIEF EXECUTIVE OFFICER

Sydney, 18 November 2008

Auditors' Report

Deloitte.

Independent Auditor's Report to the members of Lion Nathan Limited

Report on the Financial Report

We have audited the accompanying financial report of Lion Nathan Limited, which comprises the balance sheet as at 30 September 2008, and the income statement, cash flow statement and the statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 38 to 104.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Lion Nathan Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 September 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 21 to 30 of the directors' report for the year ended 30 September 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Lion Nathan Limited for the year ended 30 September 2008, complies with section 300A of the Corporations Act 2001.

Andrew Griffiths

DELOITTE TOUCHE TOHMATSU

A V Griffiths
Partner
Chartered Accountants
Sydney, 18 November 2008

Ten Year Financial Comparison

FINANCIAL STATEMENTS $M		12 MONTHS SEP 08 AIFRS	12 MONTHS SEP 07 AIFRS
Income Statement			
Operating revenue – sale of goods		2,094.2	1,967.0
EBIT (before goodwill amortisation and significant items)		499.0	472.4
Net interest expense		(108.7)	(89.6)
Profit from ordinary activities (before goodwill amortisation, significant items and tax)		390.3	382.8
Income tax		(117.4)	(115.5)
Minority interest		(0.2)	(0.1)
Goodwill amortisation		–	–
Earnings after taxation (before significant items)		272.7	267.2
Significant items (net of tax)		–	14.9
Net earnings for the period		272.7	282.1
Balance Sheet			
Current assets		626.6	544.6
Fixed assets		934.0	727.5
Grapevines		34.6	40.5
Investments and other non–current assets		214.7	215.5
Other intangibles		1,041.6	978.6
Goodwill		335.0	113.6
Total Assets		3,186.5	2,620.3
Current liabilities		579.4	544.5
Non–current liabilities		1,729.2	1,247.5
Total Liabilities		2,308.6	1,792.0
Net Assets		877.9	828.3
Contributed equity[1]		422.8	423.1
Reserves (including retained earnings)		454.7	405.0
Lion Nathan shareholders' funds		877.5	828.1
Minority interests		0.4	0.2
Total Equity		877.9	828.3
Statistics			
EBITDA (before significant items)[2]	$m	592.3	565.4
Earnings after tax and before significant items per share	Cents	51.2	50.2
Net asset backing per share	$	1.65	1.55
Current assets to current liabilities	Ratio	1.08	1.00
Interest cover (before significant items)	Times	4.3	5.3
Dividend rate (excluding supplementary)	Cents	42.0	40.0
Dividend cover (before significant items)	Times	1.2	1.3
Supplementary dividend (foreign shareholders)	Cents	–	–
Dividend imputation	%	n/a	n/a
Dividend franking[3]	%	100.0	100.0
Net debt/net debt & equity	%	65.0	59.8
Gearing	%	185.6	148.8
Return on Equity (ROE) (before significant items)	%	31.1	32.3
Proprietorship ratio	%	27.5	31.6
Share price at period end[6]	Cents	927	923
Highest share price during period[6]	Cents	985	990
Lowest share price during period[6]	Cents	802	769
Number of shareholders		14,278	14,513
Number of employees		3,071	2,764
Total indirect taxes incurred	$m	1,174.0	1,084.2
New Zealand dollar			
– period closing exchange rate		1.193	1.165
– period monthly weighted average exchange rate		1.181	1.137
Chinese renminbi			
– period closing exchange rate		5.521	6.615
– period monthly weighted average exchange rate		6.377	6.253
US dollar			
– period closing exchange rate		0.806	0.882
– period monthly weighted average exchange rate		0.880	0.817

[1] Prior to Lion Nathan Limited migrating to Australia (2 June 2000) Share Capital was denoted in New Zealand dollars and accordingly has been translated to Australian dollars at the closing period exchange rate ruling at the respective year ends.

[2] In 2006, the EBITDA calculation was amended to exclude the amortisation of contractual arrangements. The 2005 figure has also been restated.

[3] Lion Nathan Limited was domiciled in New Zealand prior to 2 June 2000. Therefore there are no prior year comparatives.

12 MONTHS SEP 06 AIFRS	12 MONTHS SEP 05 AIFRS	12 MONTHS SEP 04 AGAAP	12 MONTHS SEP 03 AGAAP	12 MONTHS SEP 02 AGAAP	12 MONTHS SEP 01 AGAAP	13 MONTHS SEP 00 AGAAP	12 MONTHS AUG 99 AGAAP
1,845.6	**1,757.5**	**1,841.1**	**1,772.2**	**1,662.4**	**1,530.4**	**1,611.5**	**1,437.4**
455.2	434.5	423.4	406.1	372.3	354.2	311.2	297.3
(80.4)	**(81.2)**	**(93.3)**	**(94.2)**	**(87.8)**	**(106.3)**	**(94.4)**	**(84.2)**
374.8	353.3	330.1	311.9	284.5	247.9	216.8	213.1
(115.8)	(111.8)	(107.3)	(105.0)	(104.4)	(91.4)	(78.7)	(77.4)
–	–	–	0.1	0.1	(1.8)	0.1	–
–	–	**(20.1)**	**(26.9)**	**(18.2)**	**(19.3)**	**(14.5)**	**(13.1)**
259.0	241.5	202.7	180.1	162.0	135.4	123.7	122.6
(32.2)	**(39.6)**	**(42.6)**	–	–	**16.4**	**(120.0)**	**(22.4)**
226.8	**201.9**	**160.1**	**180.1**	**162.0**	**151.8**	**3.7**	**100.2**
541.4	479.1	610.2	528.7	504.0	413.9	423.0	436.2
774.2	762.9	791.0	936.7	932.1	821.9	776.7	936.0
40.9	39.8	36.1	29.8	24.1	–	–	–
129.9	116.8	181.5	160.7	143.8	122.0	226.7	51.7
983.5	988.3	2,517.7	2,449.1	2,358.9	1,972.8	1,795.3	1,720.0
120.2	**120.0**	**130.5**	**225.8**	**241.9**	**164.1**	**183.4**	**170.1**
2,590.1	**2,506.9**	**4,267.0**	**4,330.8**	**4,204.8**	**3,494.7**	**3,405.1**	**3,314.0**
525.5	543.2	520.7	430.6	493.8	392.2	387.2	411.6
1,316.4	**1,082.0**	**1,254.1**	**1,481.0**	**1,477.6**	**1,178.8**	**1,351.6**	**1,150.8**
1,841.9	1,625.2	1,774.8	1,911.6	1,971.4	1,571.0	1,738.8	1,562.4
748.2	881.7	2,492.2	2,419.2	2,233.4	1,923.7	1,666.3	1,751.6
426.8	431.1	436.1	436.1	436.1	436.1	436.1	488.9
321.3	**450.5**	**2,056.0**	**1,978.2**	**1,779.7**	**1,480.0**	**1,229.8**	**1,254.7**
748.1	**881.6**	**2,492.1**	**2,414.3**	**2,215.8**	**1,916.1**	**1,665.9**	**1,743.6**
0.1	0.1	0.1	4.9	17.6	7.6	0.4	8.0
748.2	881.7	2,492.2	2,419.2	2,233.4	1,923.7	1,666.3	1,751.6
542.3	516.3	500.1	480.7	438.7	414.0	387.1	369.4
48.6	45.3	37.9	33.7	30.3	25.3	23.0	22.4
1.40	1.65	4.66	4.53	4.18	3.59	3.12	3.18
1.03	0.88	1.17	1.2:1	1.0:1	1.1:1	1.1:1	1.1:1
5.7	5.4	4.5	4.3	4.2	3.3	3.3	3.5
39.0	32.0	29.0	27.0	20.0	16.0	14.3	13.4
1.2	1.4	1.3	1.2	1.5	1.6	1.6	1.7
–	–	–	–	–	–	0.67	1.42
n/a	n/a	n/a	n/a	n/a	n/a	30[4]	60.0
100.0	100.0	100.0	100.0	100.0	100.0	50[5]	n/a
62.3	55.0	34.0	36.7	38.5	35.3	43.4	38.4
165.4	122.2	51.4	58.0	62.6	54.4	77.6	62.5
34.6	27.4	8.1	7.4	7.3	7.0	7.4	7.0
28.9	35.2	58.4	55.8	52.7	55.4	49.3	52.8
810	839	738	535	517	498	369	348
864	870	744	576	540	503	410	434
722	678	530	502	416	358	274	348
13,931	14,676	13,746	11,335	10,421	9,886	9,965	10,245
2,806	2,810	2,818	4,093	4,334	3,540	3,792	3,818
1,033.5	970.5	1,111.8	1,094.8	1,079.5	960.4	1,064.0	913.8
1.145	1.102	1.071	1.145	1.159	1.198	1.323	1.235
1.132	1.084	1.119	1.113	1.204	1.251	1.263	1.198
5.893	6.166	5.931	5.652	4.499	4.028	4.505	5.273
5.988	6.315	6.051	4.581	4.324	4.339	5.105	5.228
0.746	0.762	0.717	0.683	0.544	0.486	0.544	n/a
0.750	0.762	0.723	0.636	0.532	0.524	0.544	n/a

[4] Represents 60% imputation of 2000 interim dividend.

[5] Represents 100% franked 2000 final dividend.

[6] Period represents the 12 months to 31 August for 1999 and previous years.

Share Information

Top 20 holders of ordinary fully paid shares

AS AT 30 SEPTEMBER 2008	NUMBER	% OF ISSUED CAPITAL
Kirin Holdings Company Limited	246,454,275	46.13
National Nominees Limited	66,590,218	12.46
HSBC Custody Nominees (Australia) Limited	55,444,192	10.38
J P Morgan Nominees Australia Limited	51,320,625	9.61
ANZ Nominees Limited	13,284,045	2.49
Citicorp Nominees Pty Limited	9,932,888	1.86
Cogent Nominees Pty Limited	6,382,886	1.19
Citicorp Nominees Pty Limited	4,511,681	0.84
Queensland Investment Corporation	3,847,702	0.72
RBC Dexia Investor Services Australia Nominees Pty Limited	3,719,370	0.70
New Zealand Central Securities Depository Limited	2,596,173	0.49
Citicorp Nominees Pty Limited	2,200,000	0.41
RBC Dexia Investor Services Australia Nominees Pty Limited	1,791,069	0.34
CPU Share Plans Pty Limited	1,654,146	0.31
AMP Life Limited	1,635,427	0.31
HSBC Custody Nominees (Australia) Limited	1,357,910	0.25
Citicorp Nominees Pty Ltd	1,218,465	0.23
Citicorp Nominees Pty Limited	1,176,929	0.22
UBS Nominees Pty Ltd	1,160,000	0.22
Australian Reward Investment Alliance	1,074,455	0.20
Total	**477,352,456**	**89.36**

Holders by location

AS AT 30 SEPTEMBER 2008	UNITS	HOLDERS
New South Wales	143,220,666	3,388
Queensland	6,677,745	1,597
Victoria	110,868,683	1,495
Western Australia	1,368,083	698
South Australia	1,276,585	663
Australian Capital Territory	475,512	235
Tasmania	230,180	123
Northern Territory	36,566	26
New Zealand	23,010,731	5,829
United Kingdom	233,437	81
United States Of America	123,389	48
Canada	54,096	18
Hong Kong	21,596	12
Singapore	44,308	12
Japan	246,456,053	5
Thailand	8,867	5
Ireland	16,468	4
Cook Islands	2,990	3
Samoa	13,505	3
South Africa	1,325	3
Belgium	11,820	2

Share Information continued

Holders by location (continued)

AS AT 30 SEPTEMBER 2008	UNITS	HOLDERS
Switzerland	18,000	2
China	2,540	2
Philippines	1,364	2
Vanuatu	1,800	2
Bahamas	29,721	1
Chile	3,995	1
Germany	592	1
Spain	2,249	1
Fiji	720	1
Gibraltar	1,000	1
Greece	1,800	1
Indonesia	2,000	1
India	4,284	1
Italy	5,350	1
Korea Republic Of	80	1
Luxembourg	611	1
Malawi	1,000	1
Malaysia	1,131	1
Netherlands	400	1
Pakistan	150	1
Papua New Guinea	5,647	1
Poland	1,200	1
Sweden	1,256	1
Taiwan Province Of China	1,000	1
Total Australian holders	**264,154,020**	**8,225**
Total overseas holders	**270,086,475**	**6,053**
Holders by location	**534,240,495**	**14,278**

Share Information continued

Range of shares

AS AT 30 SEPTEMBER 2008	TOTAL HOLDERS	UNITS	% ISSUED CAPITAL
1 - 1,000	6,740	3,325,202	0.62
1,001 - 5,000	5,928	14,190,770	2.66
5,001 - 10,000	958	6,970,749	1.30
10,001 - 100,000	573	13,171,264	2.47
100,001 - 9,999,999,999	79	496,582,510	92.95
Rounding			0.00
Total	**14,278**	**534,240,495**	**100.00**

Unmarketable parcels

AS AT 29 SEPTEMBER 2008	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $ 500.00 parcel at $ 9.27 per unit	54	237	5,966

Substantial shareholders as at 30 September 2008

AS AT 30 SEPTEMBER 2008	FULLY PAID ORDINARY SHARES	TOTAL SHARES
1. Kirin Holdings Company Limited	246,454,275	46.13%
2. National Nominees Limited	66,590,218	12.46%
3. HSBC Custody Nominees (Australia) Ltd	55,444,192	10.38%
4. JP Morgan Nominees Australia Limited	51,320,625	9.61%

ASX/NZX Announcements

Major announcements made during the period 1 October 2007 – 30 September 2008

8 November 2007	**Lion Nathan Limited: Acquisition of J Boag & Son Pty Limited** Lion Nathan announced that it has entered into an agreement to purchase Tasmanian brewer J Boag & Son Pty Limited from Philippines based San Miguel Corporation for $325 million.
23 November 2007	**Appendix 3Y** Change of Director's Interest Notice issued in relation to Mr Andrew Maxwell Reeves
29 November 2007	**Appendix 3Y** Change of Director's Interest Notice issued in relation to Mr Robert Andrew Murray.
5 December 2007	**Lion Nathan Investor Information Pack**
10 December 2007	**Appendix 3Y** Change of Director's Interest Notice issued in relation to Mr Andrew Reeves.
19 December 2007	**ACCC Consent to J Boag & Son** Lion Nathan announced that it has received informal clearance from the Australian Competition and Consumer Commission (ACCC) for its proposed purchase of Tasmanian brewer J. Boag & Son Pty Limited from Philippines based San Miguel Corporation
19 December 2007	**OIO consent to land acquisition** Lion Nathan advises that it has received Overseas Investment Office of New Zealand (OIO) consent to the acquisition of 16.7 hectares of freehold land at Ormiston Road, South Auckland.
21 December 2007	**Lion Nathan Annual Report & Shareholder Review**
2 January 2008	**Acquisition of J Boag & Son** Lion Nathan announced that it has received clearance from the Australian Foreign Investment Review Board (FIRB) for its purchase of Tasmanian brewer J. Boag & Son Pty Limited (Boag) from Philippines based San Miguel Corporation.
9 January 2008	**Lion Nathan Notice of Meeting, Explanatory Notes, Proxy Form and Chairman's Letter to Shareholders**
30 January 2008	**Lion Nathan Arranges New $450 million Funding** Lion Nathan announced that it had secured A$450 million of new debt funding to refinance existing debt facilities.
14 February 2008	**Lion Nathan First Quarter 2008 Trading Update & Updated Guidance**
14 February 2008	**Lion Nathan AGM Documents** – Chairman's Speech – CEO Presentation – Summary of Proxy Results
14 February 2008	**Lion Nathan AGM Resolutions**
18 March 2008	**Business Update to US Private Placement 18 March 08**
20 May 2008	**Lion Nathan Financial & Operations Review** For the six months ended 31 March 2008. Lion Nathan announced a 7.0% increase in Operating NPAT to $167.7 million for the six months to 31 March 2008.
20 May 2008	**Lion Nathan Appendix 4D**
20 May 2008	**Lion Nathan Interim Results Media Release**
20 May 2008	**Lion Nathan CEO Interim Results Presentation**
20 May 2008	**Lion Nathan CFO Interim Results Presentation**
20 May 2008	**Lion Nathan Media Interim Results Presentation**
22 May 2008	**Lion Nathan forecasts significant step-up in profit growth for FY09**
29 May 2008	**Standard & Poor Raises Lion Nathan Corporate Credit Rating to BBB from BBB-**
2 June 2008	**Lion Nathan Acquires New USA Wine Import Company** Lion Nathan has acquired the USA wine importer Cumulus Wine Inc. (CWI), a subsidiary of the New South Wales based Cumulus Group, establishing a new wine import company Lion Nathan USA Inc, thereby guaranteeing a platform for Lion Nathan's Australian and New Zealand premium wine portfolio in the USA market.
6 June 2008	**McKenna Bourbon and Inner Circle Rum to leverage Bacardi Lion's focussed spirits and RTD sales system** Lion Nathan Australia announced that its spirit and ready-to-drink (RTD) brands, McKenna Bourbon and Inner Circle Rum, will be sold in Australia exclusively through Bacardi-Lion, the existing 50/50 joint venture between Lion Nathan and Bacardi Martini from October 1, 2008.

ASX/NZX Announcements continued

24 July 2008	**Lion Nathan Third Quarter 2008 Trading Update** Lion Nathan today announced its trading update for the quarter ended 30 June 2008. The positive trend in the business continued with the company achieving revenue growth of around 7% for the nine months to 30 June.
29 July 2008	**Lion Nathan Investor Market Briefings** Lion Nathan announced Investor Market Briefing packs for Australia, NZ, Wine, Operations, CEO and CFO.
8 September 2008	**Lion Nathan Secures 5 Year Japanese Syndicated Loan** Lion Nathan announced that it has entered into a syndicated loan facility arranged by Mizuho Corporate Bank. This facility allows Lion Nathan to access JPY 30 billion, which equates to approximately AUD 340 million.

NZX Disclosure

New Zealand Stock Exchange – Disclosure

The New Zealand Stock Exchange (NZX) has in place a Corporate Governance Best Practice Code ("NZX Code"). As an "Overseas Listed Issuer" on the NZX, Lion Nathan Limited (Lion) is deemed to comply with the NZX Listing Rules provided that it remains listed on the Australian Stock Exchange (ASX).

The ASX corporate governance rules and principles may materially differ from NZX's corporate governance rules and the principles of the NZX Code. Details of the ASX corporate governance rules and principles are available on the ASX website at www.asx.com.au.

Details of Lion's corporate governance are set out on pages 32 to 37.

Glossary

ASX	Australian Stock Exchange
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITS	Earnings before interest, tax and SGARA
EVA	Economic Value Add
FMCG	Fast moving consumer goods
KPI	Key performance indicators
FWP	Fine Wine Partners
ISI	Individually significant items
LNA	Lion Nathan Australia
LNNZ	Lion Nathan New Zealand
LNWG	Lion Nathan Wine Group
NPAT	Net profit after tax
NZX	New Zealand Stock Exchange
OHS	Occupational health and safety
Operating EBIT	Earnings before interest, tax, one-time and significant items
Operating NPAT	Net profit after tax before one-time and significant items
OTI	One-time items
RTDs	Ready-to-drinks
SGARA	Self generating and regenerating assets

Investor Information

Calendar Of Events

18 November 2008
FY08 result announced

17 December 2008
Distribution to shareholders of 2008 annual report commences

19 December 2008
Record Date for final dividend

15 January 2009
Final dividend paid

26 February 2009
Annual General Meeting to be held at The Grand Ballroom, The Hilton, 484 George Street, Sydney, NSW

31 March 2009
End of first half of 2009 financial year

May 2009
Half-year 2009 result announced

30 September 2009
End of 2009 financial year

November 2009
FY09 result announced

December 2009
Distribution to shareholders of 2009 annual report commences

Investor Information

Stock Exchanges and Listed Securities

Lion Nathan Ordinary Shares trade on both the Australian and New Zealand Stock Exchanges. The Company's ticker symbol is LNN on both exchanges.

Voting Rights

On a show of hands, each holder of Ordinary Shares is entitled to one vote. On a poll, one vote is counted for every Ordinary Share.

Direct Banking of Dividends

Lion Nathan has elected to move to direct banking of Ordinary Share dividends. This enables shareholders to have dividends paid directly by Lion Nathan to New Zealand and Australian trading banks. Further information can be obtained from the Share Registry in the country in which the shares are registered.

Company Publications

The Company issues the following announcements and publications throughout the year to inform investors of the Company's operations and results:

- Half year result announcement and presentation
- Annual result announcement and presentation
- Annual Report, Notice of Annual General Meeting and Explanatory Notes
- Annual Review
- Sustainability Report

These publications and key management presentations are also available for viewing and downloading from the investor relations section of the Company's web site: www.lion-nathan.com/investor.aspx

Investor and Analyst Enquiries

Investor Relations Director
Lion Nathan Limited
Tel: 61-2-9290 6615
Fax: 61-2-9290 6675
investor.enquiry@lion-nathan.com.au

Security Holder Enquiries

Security Holders with enquiries about transactions, changes of address or dividend and interest payments should contact the Share Registry in the country in which their securities are registered.

Share Registries

Australia

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

GPO Box 2975
Melbourne VIC 3001
Australia

Tel: 1300 656 107
International: 61-3-9415 4351
sydney.services@computershare.com.au

New Zealand

Computershare Investor Services Limited
Level Two, 159 Hurstmere Road
Takapuna
Northshore City
New Zealand

Private Bag 92119
Auckland 1020
New Zealand

Tel: 0800 727 475
International: 61-3-9415 4351
Fax: 64-9-488 8787
enquiry@computershare.co.nz

Directory

Directors

Glenn Barnes
Peter Bush
Hirotake Kobayashi
Koichi Matsuzawa
F Miki (Director & Alternate Director for H Kobayashi and K Matsuzawa)
Rob Murray (Chief Executive Officer)
Andrew Reeves (Managing Director Lion Nathan Australia)
Geoff Ricketts (Chairman)
Gavin Walker
Barbara Ward

Company Secretary

Duncan Makeig

Chief Executive Officer

Rob Murray

Chief Financial Officer

Jamie Tomlinson

Investor Relations Director

Caroline Veitch

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Solicitors

Mallesons Stephen Jaques

Auditors

Deloitte Touche Tohmatsu

Lion Nathan Limited ABN 34 093 160 448

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