

## Directors' Report

The Directors of Lion Nathan Limited present their report of the consolidated entity, being Lion Nathan Limited and its controlled entities, for the half-year ended 31 March 2009.

### Information regarding Directors

The names of the directors of the company during or since the end of the half-year are:

Geoffrey Ricketts – Chairman

Glenn Barnes

Hirotake Kobayashi

Robert Murray – Chief Executive Officer

Andrew Reeves

Gavin Walker

Barbara Ward

Peter Bush

Fumio Miki

Koichi Matsuzawa (resigned 26 March 2009)

Senji Miyake (appointed 26 March 2009)

### Review of Operations

The Directors of Lion Nathan are pleased to announce that the Company recorded a net profit after tax (NPAT) of \$176 million for the six months to 31 March 2009, up 6.9%. Underlying NPAT was \$178 million after adjusting for costs associated with the proposed acquisition of Coca-Cola Amatil.

Underpinning the result was the excellent performance of the Lion Nathan Australia business unit, which grew Operating EBIT by an impressive 12.7% to \$280.3 million (Reported EBIT grew 14.8%). Net sales revenue rose 11.3% in the period and total volumes increased by 4.6%. Gains through core brands and the Boag's trademark, ongoing improvement in mix, successful innovation and good tap beer volumes were the key drivers of growth.

The New Zealand business performed well to achieve a 3.1% improvement in EBIT in New Zealand dollars (NZD). With stable domestic beer volumes, the growth in EBIT was largely the result of improving mix with the key contributors being the success of Steinlager Pure and Speight's Summit. This was supported by good results from the wine, spirits and ready to drink (RTD) portfolio and tight cost control across the business.

In contrast to the strong beer results, the Wine business has experienced much greater volatility and exposure to the current economic conditions. Wine EBIT pre SGARA declined to \$3.5 million, down 55.7% for the half. This was further compounded by an adverse SGARA movement which went from a \$0.5 million gain in the first half of last financial year to a \$0.7 million loss this half year.

Corporate costs rose due partly to the legal, consulting and other costs associated with the CCA proposal as well as one-time items associated with the move to the new corporate office and an increase in other group costs.

The Company's cash flow and financing position remains solid. The interest expense for the half was better than anticipated due to the timing of cashflows for major projects and a modest benefit from lower interest rates.

The step change in EBIT for the Australian beer business and the resilience of the New Zealand business in the first half positions the Company well for the full year, and as such, the Company has revised the NPAT guidance range to \$305 - \$315 million (previously \$300 - \$315 million). The timing of Easter, further gains through innovation and contribution from the Boag's brands are expected to culminate in an increase of the NPAT growth rate in the second half.

#### **Interim dividend**

Directors have declared an interim dividend of 22 cents per share. It will be payable on 23 June 2009 based on a record date of 5 June 2009 and will be fully franked.

#### **Outlook**

The Company's investment decisions over the past five years have built a stronger business which is positioned to deliver in FY09 and beyond.

The Company expects a higher growth rate in the second half due to innovation momentum, accelerating Boag's growth, the timing of Easter and the cycling of the investment period of the prior year where fourth quarter marketing spend and the funding costs relating to the Boag's acquisition had a significant impact on results.

Lion Nathan's solid first half beer results have enabled a positive revision to the FY09 Reported NPAT guidance to \$305-315 million (previously \$300 - \$315 million).

#### **Subsequent Events**

On the 11<sup>th</sup> May, 2009, Lion Nathan announced that it had signed an Implementation Agreement with Kirin Holdings Company Limited ("Kirin") in relation to Kirin's offer to acquire all of the issued shares in Lion Nathan that it does not already own for an offer consideration of \$12.22 per share (the "Offer"). This consideration includes the \$0.22 interim dividend and a \$0.50 special dividend, both of which are expected to be fully franked with Australian franking credits and the special dividend is expected to be partly imputed utilising available New Zealand imputation credits.

The transaction is to be implemented via a scheme of arrangement ("Scheme") and is subject to a limited number of customary conditions precedent, including obtaining all necessary regulatory approvals (including Australian FIRB and New Zealand OIO approvals), no material adverse event and an independent expert appointed by Lion Nathan concluding that the Scheme is in the best interests of Lion Nathan's non-Kirin shareholders.

The Scheme is subject to the Court convening a meeting of Lion Nathan's non-Kirin shareholders ("Scheme Meeting"). At the Scheme Meeting, a majority in number of non-Kirin shareholders voting (in person or by proxy), and who represent at least 75% of the votes cast, must approve the Scheme for it to succeed. If the requisite shareholder approval is obtained, the Scheme will then need to be approved by the Court at a second Court hearing. If the Court approves the Scheme, the Scheme will become binding on all of Lion Nathan's non-Kirin shareholders in accordance with the Australian Corporations Act 2001.

#### **Auditor's Independence Declaration**

The auditor's independence declaration is set out on page 4.

#### **Rounding of Amounts**

The Company 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 million dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Handwritten signature of Geoff Ricketts in black ink.Handwritten signature of Robert Murray in black ink.

Geoff Ricketts

Robert Murray

CHAIRMAN

CHIEF EXECUTIVE OFFICER

Sydney, 20 May 2009

The Board of Directors  
Lion Nathan Limited  
Level 7  
68 York Street  
Sydney NSW 2000

20 May 2009

Dear Board Members

**Lion Nathan Limited**

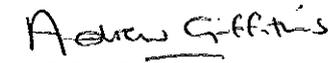
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Lion Nathan Limited.

As lead audit partner for the review of the financial statements of Lion Nathan Limited for the half-year ended 31 March 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU

  
A V Griffiths  
Partner  
Chartered Accountants

**Appendix 4D**  
**Half-Year Report**  
**LION NATHAN LIMITED**  
**ABN 34 093 160 448**

for the Half-Year Ended 31 March 2009

**Results for Announcement To The Market**

**Revenue and Net Profit**

		<b>Percentage Change %</b>		<b>Amount \$m</b>
Revenue from ordinary activities	up	6.0%	to	1,217.3
Net profit attributable to members	up	6.9%	to	176.0

**Dividends**

	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend <sup>a</sup>	22 cents	22 cents

Record date for determining entitlements to the interim dividend <sup>a</sup> 5 June 2009

<sup>a</sup> The interim dividend in respect of ordinary shares for the half-year ended 31 March 2009 has not been recognised in this financial report because the interim dividend was declared subsequent to 31 March 2009. The interim dividend for 2009 of A\$0.22 per share, fully franked at 30% (2008: A\$0.20 fully franked at 30%) will be paid on 23 June 2009.

**Brief Explanation of Revenue, Net Profit and Dividends**

Refer attached Media Release.

**Consolidated Income Statement**

	Note	Six months ended	
		31 March	31 March
		\$m 09	\$m 08
Sales revenue	2	1,185.3	1,121.9
Other revenue	2	32.0	26.1
<b>Total revenue</b>		<b>1,217.3</b>	<b>1,148.0</b>
Other income		1.3	1.9
Expenses	2	(914.6)	(868.2)
Finance costs		(65.0)	(51.7)
Share of net profits of associates accounted for using the equity method		6.3	5.5
<b>Profit before income tax expense</b>		<b>245.3</b>	<b>235.5</b>
Income tax expense		(69.2)	(70.7)
<b>Net profit for the period</b>		<b>176.1</b>	<b>164.8</b>
Net profit attributable to minority interests		(0.1)	(0.2)
<b>Net profit attributable to members of Lion Nathan Limited</b>		<b>176.0</b>	<b>164.6</b>
<b>Basic and diluted earnings per share based on net profit attributable to members of Lion Nathan Limited</b>	9	<b>33.1 cents</b>	<b>30.9 cents</b>

**Consolidated Balance Sheet**

	Note	31 March \$m 09	30 Sept \$m 08	31 March \$m 08
<b>Current assets</b>				
Cash	7	64.0	45.3	55.6
Receivables		313.4	279.6	300.9
Inventories		257.0	249.6	221.6
Derivative financial assets		8.0	5.2	3.2
Other		26.8	33.6	30.5
		669.2	613.3	611.8
Non-current assets classified as held for sale <sup>a</sup>		10.6	13.3	-
<b>Total current assets</b>		<b>679.8</b>	<b>626.6</b>	<b>611.8</b>
<b>Non-current assets</b>				
Receivables		93.6	89.6	85.8
Inventories		61.7	60.3	48.5
Equity accounted investments		31.5	27.1	30.5
Derivative financial assets		119.2	13.3	39.0
Property, plant and equipment		984.6	934.0	857.5
Grapevines		35.8	34.6	40.6
Deferred tax assets		17.6	17.0	16.5
Intangibles		1,384.9	1,376.6	1,371.9
Other		6.1	7.4	9.1
<b>Total non-current assets</b>		<b>2,735.0</b>	<b>2,559.9</b>	<b>2,499.4</b>
<b>Total assets</b>		<b>3,414.8</b>	<b>3,186.5</b>	<b>3,111.2</b>
<b>Current liabilities</b>				
Payables		417.0	415.9	415.5
Borrowings		64.4	54.4	69.5
Derivative financial liabilities		7.7	10.4	16.6
Current tax payable		30.7	23.0	43.8
Provisions		57.8	75.7	64.3
<b>Total current liabilities</b>		<b>577.6</b>	<b>579.4</b>	<b>609.7</b>
<b>Non-current liabilities</b>				
Payables		3.8	14.2	2.8
Borrowings		1,766.4	1,501.8	1,332.0
Derivative financial liabilities		96.2	125.5	169.9
Deferred tax liabilities		60.4	75.8	79.9
Provisions		11.9	11.9	12.0
<b>Total non-current liabilities</b>		<b>1,938.7</b>	<b>1,729.2</b>	<b>1,596.6</b>
<b>Total liabilities</b>		<b>2,516.3</b>	<b>2,308.6</b>	<b>2,206.3</b>
<b>Net assets</b>		<b>898.5</b>	<b>877.9</b>	<b>904.9</b>
<b>Equity</b>				
Parent entity interest				
Issued capital	5	419.5	422.8	423.7
Reserves	4	(30.6)	4.7	32.4
Retained earnings	6	509.1	450.0	448.4
<b>Total parent equity</b>		<b>898.0</b>	<b>877.5</b>	<b>904.5</b>
Minority interests		0.5	0.4	0.4
<b>Total equity</b>		<b>898.5</b>	<b>877.9</b>	<b>904.9</b>

<sup>a</sup> Includes grapevines, land, and plant and equipment in relation to Australian Wine Group (September 2008 related to Australian Wine Group and Wither Hills) that is intended to be sold within one year.

**Consolidated Statement of Changes in Equity**

	Six months ended	
	31 March \$m 09	31 March \$m 08
<b>Total equity at the beginning of the period</b>	<b>877.9</b>	<b>828.3</b>
Cash flow hedges:		
Gain taken to equity	141.0	19.4
Deferred tax on hedged item	(42.3)	(5.8)
Exchange differences on translation of foreign operations	1.9	0.1
<b>Net income recognised directly in equity</b>	<b>100.6</b>	<b>13.7</b>
Cash flow hedges:		
Transferred to profit or loss for the period	(194.6)	19.0
Deferred tax on hedged item	58.5	(5.7)
Net profit for the period	176.0	164.6
<b>Total recognised income and expense for the period</b>	<b>140.5</b>	<b>191.6</b>
Total recognised income and expense for the period is attributable to:		
Members of Lion Nathan Limited	140.4	191.4
Minority Interests	0.1	0.2
Other movements in equity:		
Share based payments	0.2	(3.9)
Net shares (acquired by) / exercised from the Lion Nathan Achievement Rights Trust	(3.3)	0.6
	(3.1)	(3.3)
Transactions with equity holders:		
Dividends paid	(116.9)	(111.9)
Minority Interests	0.1	0.2
	(116.8)	(111.7)
<b>Total equity at the end of the period</b>	<b>898.5</b>	<b>904.9</b>

**Consolidated Cash Flow Statement**

	Six months ended	
	31 March	31 March
Note	\$m 09	\$m 08
<b>Cash flows from operating activities</b>		
Receipts from customers	1,964.6	1,881.4
Payments to suppliers, employees and indirect tax authorities	(1,652.9)	(1,544.3)
Interest received	0.1	0.1
Interest paid	(70.6)	(43.4)
Income taxes paid	(61.7)	(54.8)
<b>Net cash from operating activities</b>	<b>179.5</b>	<b>239.0</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment and grapevines	(100.9)	(120.0)
Proceeds / (disposal costs) from sale of property, plant and equipment and other non-current assets	0.1	(1.5)
Payments to acquire business operations	-	(323.5)
Dividends and distributions from associate entities	3.0	1.4
Payments for investments in associate entities, contractual arrangements and other non-current assets	(24.4)	(3.7)
<b>Net cash used in investing activities</b>	<b>(122.2)</b>	<b>(447.3)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	502.3	465.6
Repayments of borrowings	(417.1)	(90.3)
Acquisition of shares by the Lion Nathan Achievement Rights Trust	(6.9)	(6.7)
Dividends paid to members of the parent entity	(116.9)	(111.9)
<b>Net cash (used in) / from financing activities</b>	<b>(38.6)</b>	<b>256.7</b>
<b>Net increase in cash held</b>	<b>18.7</b>	<b>48.4</b>
Cash at the beginning of the period	45.3	5.4
Effects of exchange rate changes	-	(0.1)
<b>Net cash at the end of the period</b>	<b>64.0</b>	<b>53.7</b>
	7	
<b>Reconciliation of net profit attributable to members of Lion Nathan Limited to net cash from operating activities</b>		
Net profit after income tax attributable to members of Lion Nathan Limited	176.0	164.6
Depreciation and amortisation	47.7	43.7
Minority interests' share of profit	0.1	0.2
Loss / (profit) on disposal of non-current assets	0.5	(0.2)
Divestments and write-down of investments and other non-current assets	2.6	0.8
Other non-cash items	(2.3)	(0.6)
Share of associate entities' net (income)	(6.3)	(5.5)
Net change in tax balances	7.5	15.9
Share based payments expense	3.8	3.4
Increase in non-current provisions	0.1	0.3
Movements in working capital net of balances acquired:		
(Increase) in receivables and other current assets	(34.3)	(11.5)
(Increase) in inventories	(8.8)	(3.3)
(Decrease) / increase in payables and accrued expenses	(7.1)	31.2
<b>Net cash from operating activities</b>	<b>179.5</b>	<b>239.0</b>

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

## Notes to the Financial Statements

### 1. Significant accounting policies

#### Statement of compliance

This general purpose financial report for the interim half-year reporting period ended 31 March 2009 has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting', the disclosure requirements of ASX Appendix 4D and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2008 and any public announcements made by Lion Nathan Limited during the interim reporting period.

#### Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Lion Nathan is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the director's report and the half-year financial report are rounded to the nearest tenth of a million dollars, unless otherwise noted.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### Adoption of new and revised Accounting Standards

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 2008. The impact of these changes are not material.

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 affect any of the amounts recognised in the financial report, but may change the disclosure presently made in relation to the Group'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
AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 September 2010

**Notes to the Financial Statements (cont'd)****1. Significant accounting policies (cont'd)**

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group 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 12 'Service Concession Arrangements'	1 January 2009	30 September 2010
AASB 3 'Business Combinations' - revised standard *	1 July 2009	30 September 2010
AASB 127 'Consolidated and Separate Financial Statements' – revised standard	1 July 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 123 'Borrowing Costs' – revised standard **	1 January 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- 5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project.'	1 January 2009	30 September 2010
AASB 2008- 6 '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 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items.'	1 July 2009	30 September 2010
IFRIC 18 'Transfers of Assets from Customers'	1 July 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 (cont'd)****2. Profit from continuing operations**

	<b>Consolidated</b>	
	<b>Six months ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>\$m 09</b>	<b>\$m 08</b>
<b>a) Revenue</b>		
<b>Sales revenue</b>		
Sale of goods	<u>1,185.3</u>	<u>1,121.9</u>
<b>Other revenue</b>		
Interest - from other parties	0.1	0.3
Interest - from unwinding of discount on receivable <sup>a</sup>	3.2	3.6
Royalties	0.5	0.3
Other revenue	<u>28.2</u>	<u>21.9</u>
<b>Total other revenue</b>	<b>32.0</b>	<b>26.1</b>
<b>Total revenue</b>	<b><u>1,217.3</u></b>	<b><u>1,148.0</u></b>
<b>b) Expenses</b>		
Cost of sales	568.5	546.3
Sales and marketing costs	193.2	184.5
Distribution costs	48.2	45.0
Finance and administration costs	50.1	50.0
Other expenses	<u>54.6</u>	<u>42.4</u>
<b>Total expenses</b>	<b><u>914.6</u></b>	<b><u>868.2</u></b>
<b>Included within expenses are the following:</b>		
Depreciation	37.3	33.8
Amortisation	10.4	9.9

<sup>a</sup> Receivable from sale of the Auckland Brewery in 2007

## Notes to the Financial Statements (cont'd)

## 3. Business segment information

	Australia	New Zealand	Wine	Corporate	Inter-Segment Elimination	Consolidated
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Six months to 31 March 2009</b>						
External sales revenue	832.0	269.9	83.4	-	-	1,185.3
Inter-segment sales	-	7.2	10.0	-	(17.2)	-
Total sales revenue	832.0	277.1	93.4	-	(17.2)	1,185.3
Other revenue	22.4	4.4	1.9	3.3	-	32.0
Total segment revenue	854.4	281.5	95.3	3.3	(17.2)	1,217.3
Share of profits of associates accounted for using the equity method	6.3	-	-	-	-	6.3
Profit / (loss) before interest and income tax	280.3	47.0	2.8	(23.1)	-	307.0
Net interest expense						(61.7)
Profit before income tax expense						245.3
Income tax expense						(69.2)
Net profit for the period						176.1
Net profit attributable to minority interests						(0.1)
Net profit attributable to members of Lion Nathan Limited						176.0
Segment assets	2,359.5	485.9	340.8	91.7	-	3,277.9
Unallocated assets						136.9
Total assets						3,414.8
Segment liabilities	(318.7)	(115.3)	(27.9)	(31.0)	-	(492.9)
Unallocated liabilities						(2,023.4)
Total liabilities						(2,516.3)
Equity accounted investments	31.5	-	-	-	-	31.5
CAPEX (excluding business acquisitions)	47.3	38.0	7.4	1.9	-	94.6
Depreciation and amortisation	33.0	9.6	3.7	1.4	-	47.7
Other non-cash expenses	3.4	0.4	1.9	0.4	-	6.1

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 (cont'd)

## 3. Business segment information

	Australia \$m	New Zealand \$m	Wine \$m	Corporate \$m	Inter-Segment Elimination \$m	Consolidated \$m
<b>Six months to 31 March 2008</b>						
External sales revenue	747.7	283.5	90.7	-	-	1,121.9
Inter-segment sales	-	2.4	5.0	-	(7.4)	-
Total sales revenue	747.7	285.9	95.7	-	(7.4)	1,121.9
Other revenue	17.1	3.3	1.6	4.1	-	26.1
Total segment revenue	764.8	289.2	97.3	4.1	(7.4)	1,148.0
Share of profits of associates accounted for using the equity method	5.5	-	-	-	-	5.5
Profit / (loss) before interest and income tax	244.2	47.6	8.4	(16.9)	-	283.3
Net interest expense						(47.8)
Profit before income tax expense						235.5
Income tax expense						(70.7)
Net profit for the period						164.8
Net profit attributable to minority interests						(0.2)
Net profit attributable to members of Lion Nathan Limited						164.6
Segment assets	2,261.4	418.3	298.5	76.4	-	3,054.6
Unallocated assets						56.6
Total assets						3,111.2
Segment liabilities	(321.4)	(107.9)	(27.7)	(39.4)	-	(496.4)
Unallocated liabilities						(1,709.9)
Total liabilities						(2,206.3)
Equity accounted investments	30.5	-	-	-	-	30.5
CAPEX (excluding business acquisitions)	47.0	57.2	7.8	2.4	-	114.4
Depreciation and amortisation	28.8	11.5	3.1	0.3	-	43.7
Other non-cash expenses	2.0	0.9	0.2	-	-	3.1

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 (cont'd)****4. Reserves**

	<b>Consolidated</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>\$m 09</b>	<b>\$m 08</b>
Share based payments	12.9	8.5
Foreign currency translation	(11.2)	(11.5)
Hedging	(32.3)	35.4
<b>Total reserves</b>	<b>(30.6)</b>	<b>32.4</b>
<b>Movements in share based payments reserve</b>		
Balance at the beginning of the period	12.7	12.4
Shares exercised during the period	(3.6)	(7.3)
Shares granted under Achievement Rights Plan	3.8	3.4
<b>Balance at the end of the period</b>	<b>12.9</b>	<b>8.5</b>
<b>Movements in foreign currency translation reserve</b>		
Balance at the beginning of the period	(13.1)	(11.6)
Exchange differences relating to overseas net assets - net gain on translation	1.9	0.1
<b>Balance at the end of the period</b>	<b>(11.2)</b>	<b>(11.5)</b>
<b>Movements in hedging reserve</b>		
Balance at the beginning of the period	5.1	8.5
Gain taken to equity	141.0	19.4
Deferred tax on hedged item	(42.3)	(5.8)
Transferred to profit or loss for the period	(194.6)	19.0
Deferred tax on hedged item	58.5	(5.7)
<b>Balance at the end of the period</b>	<b>(32.3)</b>	<b>35.4</b>

**Notes to the Financial Statements (cont'd)****5. Issued capital**

<b>Fully paid ordinary shares</b>	<b>31 March No. 09</b>	<b>31 March \$m 09</b>	<b>31 March No. 08</b>	<b>31 March \$m 08</b>
Total ordinary shares on issue	534,240,495	436.1	534,240,495	436.1
Shares held by the Lion Nathan Achievement Rights Trust	<u>(2,049,888)</u>	<u>(16.6)</u>	<u>(1,559,116)</u>	<u>(12.4)</u>
Total number of ordinary shares on issue excluding ordinary shares held by the Lion Nathan Achievement Rights Trust <sup>a</sup>	<u>532,190,607</u>	<u>419.5</u>	<u>532,681,379</u>	<u>423.7</u>

<b>Shares held by the Lion Nathan Achievement Rights Trust</b>	<b>31 March No. 09</b>	<b>31 March \$m 09</b>	<b>31 March No. 08</b>	<b>31 March \$m 08</b>
Balance at beginning of the period	1,662,440	13.3	1,635,942	13.0
Acquisition of shares	809,713	6.9	725,506	6.7
Shares exercised	<u>(422,265)</u>	<u>(3.6)</u>	<u>(802,332)</u>	<u>(7.3)</u>
Balance at end of the period <sup>a</sup>	<u>2,049,888</u>	<u>16.6</u>	<u>1,559,116</u>	<u>12.4</u>

<sup>a</sup> All are fully-paid ordinary shares, carrying one vote per share and the right to dividends.

**6. Retained earnings**

	<b>Consolidated</b>	
	<b>31 March \$m 09</b>	<b>31 March \$m 08</b>
Balance at the beginning of the period	450.0	395.7
Net profit after tax attributable to members of Lion Nathan Limited	176.0	164.6
Dividends paid:		
- Final dividend paid in respect of prior financial year	<u>(116.9)</u>	<u>(111.9)</u>
Balance at the end of the period	<u>509.1</u>	<u>448.4</u>

**7. Notes to the statement of cash flows**

	<b>Consolidated</b>	
	<b>31 March \$m 09</b>	<b>31 March \$m 08</b>
<b>Reconciliation of cash</b>		
Cash at banks and on hand	64.0	55.6
Bank overdraft	-	(1.9)
Net cash	<u>64.0</u>	<u>53.7</u>

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



**Notes to the Financial Statements (cont'd)****10. Net tangible assets per security**

	<u>31 March 2009</u>	<u>31 March 2008</u>
Net tangible assets per ordinary share	<u>\$ (0.91)</u>	<u>\$ (0.88)</u>

**11. Details of entities over which control has been gained or lost****Control gained over entities**

The consolidated entity did not gain control over any entity (or group of entities) during the half year.

**Loss of control of entities**

The following entities were deregistered during the half year.

<b>Entity</b>	<b>Date of loss of control</b>
ACN 009 310 285 Pty Limited (formerly Smithbrook Wines Pty Limited)	13/01/2009
Actraint No. 33 Pty Limited	04/12/2008
Balcatta Nominees Pty Limited	04/12/2008
Barserv Technologies Pty Limited	04/12/2008
BBH Securities Pty Limited	04/12/2008
Bennington Pty Limited	04/12/2008
Bridgewater Mill Vineyards Pty Limited	13/01/2009
Cabezon Pty Limited	04/12/2008
Clintford Pty Limited	04/12/2008
Coach House Motor Inns (Canberra) Pty Limited	04/12/2008
Coach House Motor Inns (Cooma) Pty Limited	04/12/2008
Coach House Motor Inns Pty Limited	04/12/2008
Consac Pty Limited	04/12/2008
CP Bottle Washer Pty Limited (formerly Brisbane Bottle Exchange Company Pty Limited)	04/12/2008
Daltex Pty Limited	04/12/2008
Dimola Pty Limited	04/12/2008
Dublin Distributing Company (Australia) Pty Limited	04/12/2008
Fenton Pty Limited	04/12/2008
Finchley (NT) Pty Limited	14/12/2008
Freemantle Brewing Company Pty Limited	04/12/2008
Highbury Services Pty Limited	04/12/2008
INVU2 Pty Limited	10/02/2009
Jumbuck Holdings Pty Limited	04/12/2008
Kent Town Maltings Pty Limited	10/02/2009
Keverin Pty Limited	04/12/2008
Kovola Pty Limited	10/02/2009
L.D. Nathan & Co Investments Pty Limited	04/12/2008
L.D. Nathan Properties Pty Limited	04/12/2008
Lion Australasia Pty Limited	04/12/2008
Lion International Limited	19/02/2008
Lion Investments Pty Limited	10/02/2009

**Notes to the Financial Statements (cont'd)****11. Details of entities over which control has been gained or lost (cont'd)****Loss of control of entities (cont'd)**

<b>Entity</b>	<b>Date of loss of control</b>
Lion Nathan North America Inc.	14/01/2009
Lion Nathan NT Pty Limited	04/12/2008
Lion Nathan Property Pty Limited (formerly Mace Development Corporation Pty Limited)	04/12/2008
Lion PSBA Pty Limited (formerly Pepsi Seven-Up Bottlers Australia Pty Limited)	04/12/2008
Mac's (Ivanhoe) Pty Limited	04/12/2008
Mac's (Richmond) Pty Limited	04/12/2008
Munich Marketing Company (Australia) Pty Limited	04/12/2008
National Breweries Pty Limited	04/12/2008
National Brewing New South Wales Pty Limited	04/12/2008
National Brewing Western Australia Pty Limited	04/12/2008
National Mining Holdings Pty Limited	04/12/2008
Necora Pty Limited	10/02/2009
New World Beverage Company Inc.	14/01/2009
Pluteus (No. 2) Pty Limited	10/02/2009
Port Phillip Bay Beer Company Pty Limited (formerly Lion Business Development Pty Limited)	04/12/2008
Prejudice One Pty Limited	04/12/2008
Promex Services Pty Limited	04/12/2008
Residential Developments Pty Limited	04/12/2008
S.A.B. Properties Pty Limited	10/02/2009
San Remo (Camberwell) Pty Limited	04/12/2008
Savillia Pty Limited	04/12/2008
Smithbrook Vineyards Pty Limited	13/01/2009
Suprafin Pty Limited	14/12/2008
Sutherland Street Pty Limited	04/12/2008
Sydney Brewery (Distributions) Pty Limited	04/12/2008
Taston Pty Limited	04/12/2008
The Combined Liquor Marketing Company of Queensland Limited	04/12/2008
The Hospitality Management Company Pty Limited	04/12/2008
Tizzelle Pty Limited	04/12/2008
Tooheys (Civic) Pty Limited	04/12/2008
Tresjade Pty Limited	04/12/2008

**Notes to the Financial Statements (cont'd)****12. Details of associates**

	Ownership interest	
	31 March % 09	31 March % 08
<b>Associates</b>		
Bacardi Lion Pty Limited	50%	50%
Heineken Lion Australia Pty Limited	50%	50%
Bevchain Pty Limited	50%	50%
Little World Beverages Limited	40%	38%

**Additional Disclosures****13. Contingent liabilities and contingent assets**

	Consolidated	
	31 March \$m 09	31 March \$m 08
<b>Contingent liabilities, capable of estimation, arise in respect of the following categories:</b>		
Various performance and other guarantees provided to third parties by Lion Nathan Limited and its controlled entities	18.4	24.3
<i>Arising from equity accounted investments</i>		
Consolidated entity's share of associate's contingent liabilities	0.1	-
	<b>18.5</b>	<b>24.3</b>

**14. Subsequent events**

On the 11th May, 2009, Lion Nathan announced that it had signed an Implementation Agreement with Kirin Holdings Company Limited ("Kirin") in relation to Kirin's offer to acquire all of the issued shares in Lion Nathan that it does not already own for an offer consideration of \$12.22 per share (the "Offer"). This consideration includes the \$0.22 interim dividend and a \$0.50 special dividend, both of which are expected to be fully franked with Australian franking credits and the special dividend is expected to be partly imputed utilising available New Zealand imputation credits.

The transaction is to be implemented via a scheme of arrangement ("Scheme") and is subject to a limited number of customary conditions precedent, including obtaining all necessary regulatory approvals (including Australian FIRB and New Zealand OIO approvals), no material adverse event and an independent expert appointed by Lion Nathan concluding that the Scheme is in the best interests of Lion Nathan's non-Kirin shareholders.

The Scheme is subject to the Court convening a meeting of Lion Nathan's non-Kirin shareholders ("Scheme Meeting"). At the Scheme Meeting, a majority in number of non-Kirin shareholders voting (in person or by proxy), and who represent at least 75% of the votes cast, must approve the Scheme for it to succeed. If the requisite shareholder approval is obtained, the Scheme will then need to be approved by the Court at a second Court hearing. If the Court approves the Scheme, the Scheme will become binding on all of Lion Nathan's non-Kirin shareholders in accordance with the Australian Corporations Act 2001.

**15. Information on audit or review**

This half-year report is based on accounts to which one of the following applies.

- |                          |  |                                     |   |
|--------------------------|--|-------------------------------------|---|
| <input type="checkbox"/> | The accounts have been audited.  | <input checked="" type="checkbox"/> | The accounts have been subject to review.           |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/>            | The accounts have not yet been audited or reviewed. |

No disputes or qualifications have been made by the auditors.

## Directors' Declaration

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) In the Director's opinion, the attached financial statements and notes thereto 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 consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Geoff Ricketts  
CHAIRMAN



Robert Murray  
CHIEF EXECUTIVE OFFICER

Sydney, 20 May 2009

## **Independent Auditor's Review Report to the Members of Lion Nathan Limited**

We have reviewed the accompanying half-year financial report of Lion Nathan Limited, which comprises the balance sheet as at 31 March 2009, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 21.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Lion Nathan Limited's financial position as at 31 March 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lion Nathan Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

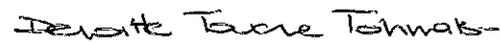
## *Auditor's Independence Declaration*

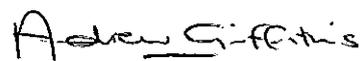
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lion Nathan Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

  
DELOITTE TOUCHE TOHMATSU

  
A V Griffiths  
Partner  
Chartered Accountants  
Sydney, 20 May 2009