

Patties Foods Ltd

ABN 62 007 157 182

Operations

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25 February 2013

Announcements Officer Company Announcements Office Australian Stock Exchange Limited South Tower Rialto 525 Collins Street

MELBOURNE VIC 3000

Patties Foods Limited (PFL) - Results for announcement to the market - Half Year ended 31 December 2012

In accordance with the ASX Listing Rule 4.2A, the following information in respect of the half year ended 31 December 2012 is transmitted for lodgement:

- 1. Half Year results announcement;
- 2. Appendix 4D - Half Year Report and Interim Dividend Announcement for the half year ended 31 December 2012; and
- 3. Directors' Report and Interim Financial Statements for the half year ended 31 December 2012.

Yours faithfully

MICHAEL KNAAP **Company Secretary**

For further information refer to www.patties.com.au or contact:

Greg Bourke, Managing Director 03 8540 9100

















HALF YEAR RESULTS ANNOUNCEMENT

The Board of Patties Foods Limited (PFL) today announced the Company's financial result for the half year ended 31 December 2012.

Group summary result

\$m	H1F13	H1F12	% Change
Sales Revenue	\$125.5	\$119.4	5.1%
EBITDA	\$18.2	\$21.0	(13.4%)
EBIT	\$14.6	\$17.7	(17.5%)
NPAT	\$9.1	\$10.8	(16.5%)
EPS (cents)	6.5	7.8	(16.6%)
DPS (cents)	3.2	3.8	(15.8%)
EBITDA – Underlying (1)	\$18.8	\$21.0	(10.6%)
EBIT – Underlying (1)	\$15.2	\$17.7	(14.2%)
NPAT- Underlying (1)	\$9.5	\$10.8	(12.7%)
EPS (cents) – Underlying (1)	6.8	7.8	(12.8%)
Net Debt	\$67.1	\$64.9	(3.4%)
Cash Inflow from Operations	\$15.7	\$6.4	145.3%
Net Debt to Equity ratio	48.1%	48.7%	
Underlying Return on Equity (pa.) (2)	13.3%	15.1%	

⁽¹⁾ H1F13 reported profit adjusted for significant items of \$587k pre-tax and \$411k post-tax relating to a non-recurring bad debt.

As foreshadowed at the company's annual general meeting in November, profit for the December 2012 six months was down on the previous corresponding period with underlying Net Profit after Tax (NPAT) down 12.7%. Reported NPAT was down \$1.7m (16.5%) after taking into account a significant non-recurring bad debt expense of \$411k resulting from the administration of Australian Convenience Foods Pty Ltd.

Whilst overall revenue was up, margins were impacted by increased competitor activity and margin pressure in the In Home supermarket channel, and manufacturing performance was down due to the disruption caused by the installation and commissioning of the new robotic packing equipment.

⁽²⁾ Return on Equity is calculated using the average equity over the financial year.

Commenting on the results, PFL Chairman, Mr Chris Riordan said:" This half year result reflects the challenging trading conditions, particularly in the In Home channel. Our response must continue to be a relentless focus on supporting and enhancing our brands, developing new channels and regions and improving our manufacturing and supply chain efficiencies as part of an overall ongoing review of our cost structure."

Managing Director, Mr Greg Bourke said, "Continuing revenue growth from the Out of Home channel did not offset the pressure from the In Home supermarket channel. In Home revenue was flat and margins reduced during the period, mainly in the frozen fruit and fruit pie categories. The commissioning of the new robotic packing equipment has been below expectations and has caused higher conversion costs and supply disruptions.

"It pleasing to see our Out Of Home strategy continues to provide benefits. Good revenue and margin growth were achieved from the Out Of Home channels, with strong branded sales in our Petrol and Convenience channel and increased corporate business."

We continue to invest in our Expand and Extend strategic growth initiatives. Key achievements during the period included:

- Identified and progressed export opportunities in UK, Asia, and USA.
- Introducing a new range of Nanna's desserts.
- Commenced sales of savoury products into new OOH channels.
- Commissioned new depositing equipment to reduce waste.

Highlights for the period were:

- Maintained market share leadership in all categories.
- Strong revenue growth from Out Of Home channels driven by Petrol and Convenience and corporate accounts.
- Strong branded growth from Four'n Twenty, Herbert Adams, Patties and Nanna's frozen fruit.
- Additional research and development resources in Bairnsdale to implement the pipeline of innovative new products.
- An improved safety record.
- Strong cash flow with improved working capital management.

Capital Management

PFL maintains conservative gearing with a net debt to equity ratio³ of 48.1% at 31 December 2012 (48.7% at 31 December 2011). Net Debt increased \$2.2m to \$67.1m (31 December 2011 \$64.9m) with increased capital expenditure. Total net cash flow generated from operating activities in H1F13 was \$15.7m (FY12: \$6.4m) reflecting the benefit from working capital enhancement. Furthermore, interest cover⁴ was strong and stable at 6.5x (FY12: 6.5x).

³ Debt to equity ratio is calculated as net debt vs. total equity.

⁴ Interest cover is calculated as underlying EBIT divided by interest.

Dividend

A fully franked interim dividend of 3.2 cents per share (FY12: 3.8 cps). The record date for determining entitlement is 19 March 2013 and the payment date is 12 April 2013.

Outlook

We remain committed to driving earnings growth and building shareholder value through:

- Continuing to invest in our strategic growth initiatives, particularly the development of new channels and regions. These initiatives are an investment in the future and we expect to see the financial benefits over the next 2 to 3 years;
- Supporting and growing our strong brands through new products and innovative consumer promotions;
- Disciplined control of costs, and
- Improved manufacturing efficiencies, including the benefit of the completed robotic packing equipment project during this calendar year.

Based on current trading projections, we expect NPAT for the second half to be at or above the NPAT for the previous corresponding period.

For further information refer to www.patties.com.au or contact Greg Bourke, Managing Director on 03 8540 9100.

About Patties Foods

Patties Foods Limited (ASX:PFL) listed in November 2006 and is the leading Australian-owned branded frozen food company, with market leadership in the frozen savoury, frozen dessert and frozen fruit segments.

Iconic brands in the Patties Foods portfolio include Four'N Twenty, Herbert Adams, Nanna's, Patties, Creative Gourmet and Chef's Pride. PFL manufactures and markets quality food products for the supermarket, petrol & convenience, catering and general foodservice channels in all parts of Australia.

Four'n Twenty is Australia's favourite pie. It is the number 1 branded range of pies in Australia across all retail markets including supermarkets and convenience stores. It is the number 1 selling pie at the footy being available at most major sporting venues in Australia.

Appendix 4D

Half year report

Name of entity

Patties Foods Limited

ABN or equivalent company reference: ABN 62 007 157 182

1. Reporting period

Report for the half year ended	31 December 2012
Previous corresponding period is the half year ended	31 December 2011

2. Results for announcement to the market

				A\$'000
Revenue from ordinary activities (item 2.1)	up	5.1%	to	125,468
Earnings before interest, tax, depreciation & amortisation (EBITDA)	down	13.4%	to	18,166
Underlying earnings before interest, tax, depreciation & amortisation (EBITDA) (1)	down	10.6%	to	18,753
Earnings before interest and tax (EBIT)	down	17.5%	to	14,599
Underlying earnings before interest and tax (EBIT) (1)	down	14.2%	to	15,186
Net profit (loss) from ordinary activities after tax attributable to members (Item 2.2 & 2.3)	down	16.5%	to	9,051
Underlying net profit (loss) from ordinary activities after tax attributable to members (1)	down	12.7%	to	9,462

⁽¹⁾ H1F13 reported profit adjusted for significant items of \$587k pre-tax and \$411k post-tax relating to a non-recurring bad debt

Dividends (item 2.4)	Date paid / payable (item 5)	Amount per security	Franked amount per security	
Interim dividend				
Current reporting period	12 APR 2013	3.2¢	3.2¢	
Previous corresponding period	13 APR 2012	3.8¢ 3.8¢		
Record date for determining entitlements to the interim dividend (item 2.5):		19 Marc	ch 2013	

Brief explanation (item 2.6):

Please refer to the commentary in the review of operations and activities section of the directors' report and the Half Year Results Announcement accompanying this Half Year Report.

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing (per share)	\$0.44	\$0.39
Net asset backing (per share)	\$1.00	\$0.96

4. Details of entities over which control has been gained or lost

Not Applicable

5. Total dividend on all securities paid or payable in period

	Current period \$A'000	Previous corresponding period - \$A'000
Final Dividend Paid	\$6,116	\$5,838
Total dividends paid in period	\$6,116	\$5,838

6. There is currently no dividend reinvestment plan in place

7. Share of net profit/(loss) after tax from associates

	% Holding	2012 A\$'000	2011 A\$'000
Davies Bakery Pty Ltd	50%	\$774	\$591
Piper Partners Pty Ltd	50%	(\$7)	(\$6)

8. Foreign Entities accounting standards

Not Applicable

9. Audit of the financial report

The financial report has been subject to a half year review by PricewaterhouseCoopers and no review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2012.

Patties Foods Limited ABN 62 007 157 182

Interim financial statements for the half-year ended 31 December 2012

Patties Foods Limited ABN 62 007 157 182 Interim financial statements - 31 December 2012

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Directors' report

Your directors present their report on the consolidated entity consisting of Patties Foods Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

Directors

The following persons were directors of Patties Foods Limited ("the Company") during the whole of the half-year and up to the date of this report:

Gregory J Bourke Gregory J Dhnaram J Curt Leonard Henricus J Rijs Richard C Rijs Christopher J Riordan* John P Schmoll

*Christopher J Riordan announced his forthcoming resignation as the Chairman and a Director of Patties Foods Limited at the Annual General Meeting held on the 22nd November 2012.

Review of operations

The Group's reported net profit after tax for the half-year to 31 December 2012 (H1F13) amounted to \$9,051,000, a reduction of 16.5% on the previous corresponding period (H1F12:\$10,844,000). If the significant item is excluded, the Group's underlying net profit after tax reduced 12.7% from \$10,844,000 in H1F12 to \$9,462,000 in H1F13. The significant item was a non recurring bad debt expense of \$411,000 after tax resulting from the administration of Australian Convenience Foods Pty Ltd.

The principal drivers of this result were:

- Sales Revenue increasing by 5.1% from \$119,411,000 in H1F12 to \$125,468,000 in H1F13.
- Reduced gross margin due to increased competitor activity, margin pressure in the In Home supermarket channel and manufacturing performance impacted by disruption caused by delays in the commissioning of the automation project.
- Effective operating cost control whilst investing in marketing and other strategic growth initiatives.

The basic earnings per share were 6.5 cents (H1F12:7.8 cents) or on an underlying basis 6.8 cents (H1F12:7.8 cents).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Christopher J Riordan

Chairman

Melbourne

25 February 2013



Auditor's Independence Declaration

As lead auditor for the review of Patties Foods Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Patties Foods Limited and the entities it controlled during the period.

John O'Donoghue Partner PricewaterhouseCoopers

Melbourne 25 February 2013

Patties Foods Limited ABN 62 007 157 182 Interim financial statements - 31 December 2012

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This interim 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 June 2012 and any public announcements made by Patties Foods Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers the half year to 31 December 2012 and the corresponding half year to 31 December 2011.

Patties Foods Limited Consolidated statement of comprehensive income For the half-year ended 31 December 2012

		31 December 2012 \$'000	31 December 2011 \$'000
	Notes		
Revenue from continuing operations Sale of goods	3	125,132	119,030
Other revenue from ordinary activities	3	336 125,468	381 119,411
		·	
Other income	4	10	30
Expenses		(00.400)	(70.054)
Cost of sales of goods		(80,123)	(72,651)
Distribution		(13,982)	(13,268)
Sales and marketing		(11,193)	(10,614)
Administration	_	(6,348)	(5,788)
Finance costs	5	(2,244)	(2,569)
Share of net profit/(loss) of associates accounted for using the equity			505
method		767	585
Profit before income tax		12,355	15,136
Income tax expense		(3,304)	(4,292)
Profit from continuing operations		9,051	10,844
Profit attributable for the half-year		9,051	10,844
Other comprehensive income			
Changes in the fair value of cash flow hedges		129	(606)
Income tax relating to components of other comprehensive income		(39)	182
Other comprehensive income for the half-year, net of tax		90	(424)
Total comprehensive income for the half-year		9,141	10,420
Profit is attributable to: Owners of Patties Foods Limited		9,051	10,844
Total comprehensive income for the half-year is attributable to:			
Owners of Patties Foods Limited		9,141	10,420
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity			
holders of the Company:			
Basic earnings per share	10	6.5	7.8
Diluted earnings per share	10	6.5	7.7

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Patties Foods Limited Consolidated balance sheet As at 31 December 2012

Note	31 December 2012 S \$'000	30 June 2012 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	2,523	151
Receivables	45,446	51,410
Inventories	33,892	37,980
Assets classified as held for sale	1,650	1,650
Total current assets	83,511	91,191
Non-current assets		
Investments accounted for using the equity method	9,839	9,072
Property, plant and equipment	72,247	69,329
Intangible assets	78,517	78,723
Total non-current assets	160,603	157,124
Total assets	244,114	248,315
LIABILITIES Current liabilities		00.000
Payables	22,553	26,899
Borrowings	2,124	2,124
Derivative financial instruments	3	105
Current tax liabilities	1,212	3,193
Provisions	3,254	3,400
Total current liabilities	29,146	35,721
Non-current liabilities		
Borrowings	67,480	68,542
Deferred tax liabilities	6,045	5,995
Provisions	1,221	1,083
Derivative financial instruments	888	917
Total non-current liabilities	75,634	76,537
Total liabilities	104,780	112,258
Net assets	139,334	136,057
EQUITY		
Contributed equity 6	68,571	68,443
Reserves 7(a)	(500)	(714)
Retained earnings	71,263	68,328
Total equity	139,334	136,057

Patties Foods Limited Consolidated statement of changes in equity For the half-year ended 31 December 2012

			ributable to atties Foods		
	_	Contributed		Retained	
		equity		earnings	Total
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	_	68,443	104	59,965	128,512
Profit for the half year		_	_	10,844	10,844
Changes in the fair value of cash flow hedges, net of tax		_	(424)	-	(424)
Total comprehensive income for the half-year	_	-	(424)	10,844	10,420
Transactions with owners in their capacity as owners:	7		138		138
Employee Share Options Dividends provided for or paid	, 8	-	130	(5,838)	(5,838)
Dividends provided for or paid	۰ _		138	(5,838)	(5,700)
	_		100	(0,000)	(0,100)
Balance at 31 December 2011	_	68,443	(182)	64,971	133,232
Balance at 1 July 2012	_	68,443	(714)	68,328	136,057
Profit for the half year		_	_	9,051	9,051
Changes in the fair value of cash flow hedges, net of tax		=	90	-	90
Total comprehensive income for the half-year	_	-	90	9,051	9,141
Transactions with owners in their capacity as owners:					
Value of Performance Rights	6	-	124	-	124
Dividends provided for or paid	8	-	=	(6,116)	(6,116)
Employee share plan	7 _	128 128	124	(6,116)	(5,864)
	-	120	124	(0,110)	(5,664)
Balance at 31 December 2012	_	68,571	(500)	71,263	139,334

Patties Foods Limited Consolidated statement of cash flows For the half-year ended 31 December 2012

	31 December 2012 \$'000	31 December 2011 \$'000
Cash flows from operating activities Receipts from customers (inclusive of goods and services tax) Payments to suppliers and employees (inclusive of goods and services tax) Borrowing costs paid Income taxes paid Net cash inflow from operating activities	146,342 (123,137) (2,271) (5,274) 15,660	129,963 (116,460) (2,591) (4,530) 6,382
Cash flows from investing activities Payments for property, plant and equipment Payments for intangibles Dividends received Interest received Net cash (outflow) from investing activities	(6,266) - - 28 (6,238)	(5,767) (306) 250 22 (5,801)
Cash flows from financing activities Proceeds from issues of shares and other equity securities Proceeds from borrowings Repayment of borrowings Finance lease payments Dividends paid to group's shareholders Net cash (outflow) from financing activities	128 32,450 (33,512) - (6,116) (7,050)	20,100 (17,363) (14) (5,838) (3,115)
Net increase (decrease) in cash and cash equivalents	2,372	(2,534)
Cash and cash equivalents at the beginning of the financial year Cash and cash equivalents at end of half-year	151 2,523	1,251 (1,283)

Patties Foods Limited Notes to the consolidated financial statements 31 December 2012

Notes to the consolidated financial statements

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1 Summary of significant accounting policies

This general purpose interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with *Accounting Standard* AASB 134 *Interim Financial Reporting* 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 June 2012 and any public announcements made by Patties Foods Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

2 Segment information

The economic entity operates predominantly in one segment being the manufacture and marketing of frozen food products throughout Australia. Management has determined the operating segment based on the reports, reviewed by the Patties Leadership Team, that are used to make strategic decisions. Results are reviewed on a whole of business basis.

3 Revenue

	31 December 2012 \$'000	31 December 2011 \$'000
From continuing operations		
Sales revenue Sale of goods Other revenue	125,132	119,030
Rent	30	60
Interest	28	22
Caravan Park income	278	299
	336	381
	125,468	119,411

4 Other income

	31 December 2012 \$'000	31 December 2011 \$'000
Government grants Sundry income	8 2	7 2
Royalties		21
	10	30
5 Profit for the half-year		
	31 December 2012 \$'000	31 December 2011 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	579	465
Property, plant and equipment	2,782	2,592
Total depreciation	3,361	3,057
Amortisation		
Intangible assets	206	220
Employee Benefits		
Employee benefits expense	23,203	21,688
Finance Costs		
Interest and finance charges paid/payable	2,244	2,569
Rental expense relating to operating leases Minimum lease payments	863	1,003
Provision against assets:		1,003
Trade receivables	62	40
Inventories	_	17
	62	57
Significant items (a)		
Australian Convenience Foods Pty Ltd Trade receivable provision	587	

(a) Significant Items

The provision for Australian Convenience Foods Pty Ltd trade receivable has been classified in the Consolidated statement of comprehensive income as an Administration Expense. It is not included in the trade receivables provision against assets above.

6 Contributed equity

(a) Share capital

	31 December	30 June 3	31 December	30 June
	2012	2012	2012	2012
	Shares	Shares	\$'000	\$'000
Ordinary shares Ordinary shares - fully paid	139,065,639	138,989,223	68,571	68,443

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$'000
1 July 2012	Opening balance	138,989,223	68,443
31 December 2012	Employee share scheme issues	<u>76,416</u> 139,065,639	68,571
31 December 2012	Dalalice		00,371

(c) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Performance Rights

Performance rights over shares in Patties Foods Limited are granted under Patties Foods Long Term Incentive Plan (LTIP). The plan is designed to provide long term incentive to certain key management personnel to deliver long term shareholder returns. Under the plan, participants are granted Performance rights which vest if certain performance standards are met and employees are still employed by the company at the end of the vesting period. Participation in the plan is at the Board's discretion.

(e) Options

Options over shares in Patties Foods Limited are granted under Patties Foods Long Term Incentive Plan (LTIP). The plan is designed to provide long term incentive to certain key management personnel to deliver long term shareholder returns. Under the plan, participants are granted options which vest if certain performance standards are met and employees are still employed by the company at the end of the vesting period. Participation in the plan is at the Board's discretion. At 31 December 2012, the options have been accounted for at nil value as management have prescribed zero probability of achieving the performance standards.

Patties Foods Limited Notes to the consolidated financial statements 31 December 2012 (continued)

7 Reserves

(a) Reserves

(a) Reserves		
	31 December 2012 \$'000	30 June 2012 \$'000
Hedging reserve - cash flow hedges Share-based payments reserve	(624) 124	(714)
	(500)	(714)
	31 December 2012 \$'000	30 June 2012 \$'000
Movements:		
Hedging reserve - cash flow hedges Opening balance 1 July Revaluation - gross Deferred tax	(714) 129 (39)	(323) (560) 169
Balance 31 December	(624)	(714)
Share-based payments Opening balance 1 July Option expense / (gain) Balance 31 December	- 124 124	427 (427)
8 Dividends		
(a) Ordinary shares		
	2012 \$'000	2011 \$'000
Final dividend for the year ended 30 June 2012 of 4.4 cents (2011- 4.2 cents) per fully paid share paid on 8 October 2012 (2011- 7 October 2011) Fully franked based on tax paid @ 30% (2011 - 30%)	6,116	5,838
(b) Dividends not recognised at the end of the reporting period		
	2012 \$'000	2011 \$'000
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 3.2 cents per fully paid ordinary share (2011 - 3.8 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 13 April 2013 out of retained profits at 31 December 2012, but not recognised as a liability at the		
end of the half-year, is	4,450	5,282

9 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	31 December 2012 \$'000	30 June 2012 \$'000
Property, plant and equipment Within one year	3,114	1,945
10 Earnings per share		
	2012 Cents	Half year 2011 Cents
(a) Basic earnings per share Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company	6.5	7.8
(b) Diluted earnings per share		
	2012 Cents	2011 Cents
Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	6.5	7.7
(c) Reconciliation of earnings used in calculating earnings per share		
	2012 \$'000	2011 \$'000
Basic earnings per share Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:	9,051	10,844

Diluted earnings per share

Patties Foods Limited Notes to the consolidated financial statements 31 December 2012 (continued)

10 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

(a) Weighted average number of charge accessed as deficient access		
	2012 Shares	2011 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	139,065,639	138,989,223
Adjustments for calculation of diluted earnings per share: Options	710,394	1,486,595
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	139,776,033	140,475,818

(e) Information on the classification of securities

(i) Options

Options granted to employees under the Patties Foods Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 6(e).

(ii) Performance shares

Performance rights granted to employees under the Patties Food Long Term Incentive Plan are considered to be contingently issuable ordinary shares and have not been included in the determination of basic and diluted earnings per share. Details relating to the performance rights are set out in note 6(d).

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act* 2001, including:
 - complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

Christopher J Riordan Chairman

Melbourne

25 February 2013



Independent auditor's review report to the members of Patties Foods Limited

Report on the half-year financial report

We have reviewed the accompanying financial report of Patties Foods Limited (the company) which comprises the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Patties Foods Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including AASB134 *Interim Financial Reporting*) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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 Patties Foods 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.

Independence

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

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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 Patties Foods 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 December 2012 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*.

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John O'Donoghue Partner Melbourne 25 February 2013