ABN 62 007 157 182

REGISTERED OFFICE

Patties Foods Ltd
161-169 Princes Highway
PO Box 409
Bairnsdale Vic 3875
Telephone: 03 5150 1800
Admin fax: 03 5152 1135
Sales fax: 03 5152 1054
Freecall: 1800 650 069
Info@patties.com.au
www.patties.com.au

MENTONE OFFICE

Patties Foods Ltd
Chifley Business Park
Level 2, 1 Joseph Avenue
Mentone Vic 3194
PO Box 115
Dingley Vic 3172
Telephone: 03 8540 9100
Fax : 03 9551 3376
Info@patties.com.au
www.patties.com.au

26 October 2009

Please respond to the Mentone Office

The Announcements Office
Australian Stock Exchange Limited
Level 45 South Tower
525 Collins Street
MELBOURNE VIC 3000

Notice of Annual General Meeting and Annual Report

In accordance with the Listing Rules, I attach the following documents in relation to the 2009 Annual General Meeting that will be despatched to shareholders today:

1. Chairman's letter
2. Notice of Annual General Meeting and Explanatory Memorandum
3. Appointment of Proxy
4. Annual Report for 2009 (if elected*)

The attached documents will also be made available on our website www.patties.com.au one released to the market.

Yours sincerely

PHILIP W THOMAS
Company Secretary

ABN 62 007 157 182

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23 October 2009

Dear Shareholder

On behalf of the Board of Patties Foods Limited ("PFL"), it gives me pleasure to invite you to the third Annual General Meeting of Patties Foods Limited to be held at 2.00 p.m. on Tuesday, 24 November 2009 at the Melbourne Cricket Ground (MCG) Jim Stynes Room, located on Level 2 in the Olympic Stand.

Please find enclosed the following documents in relation to the Annual General Meeting:

1. Notice of Annual General Meeting and Explanatory Memorandum
2. Appointment of Proxy
3. Annual Report for 2009 (if elected*)

If you are unable to attend in person, you are encouraged to vote using the enclosed Proxy form. Please read the Proxy form for instructions about completing the form and returning it by no later than 2.00 p.m. on Sunday, 22 November 2009.

Should you have any questions in relation to the enclosed documents, please contact the share registry, Computershare Investor Services on Ph: 1800 783 447.

Yours sincerely

Christopher Riordan
Non-executive Chairman

* for those shareholders that have elected not to receive a hard copy of the Annual Report, it is available at www.patties.com.au.

Notice of Annual General Meeting

PATTIES FOODS LIMITED
ABN 62 007 157 182

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting of the Members of Patties Foods Limited (Company) will be held at 2:00 p.m. on Tuesday, 24 November 2009 at the Melbourne Cricket Ground (MCG) Jim Stynes Room, located on Level 2 in the Olympic Stand

Ordinary Business

Receipt of Accounts and Reports

To receive and consider the Company's Financial Report for the financial year ended 30 June 2009, together with the Directors' Report and the Auditor's Report in respect thereof, all of which are contained in the Company's Annual Report.

Note: This item of business does not require Shareholders to vote on a resolution or adopt the received reports.

Resolution 1: Adoption of the Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of section 250R(2) of the Corporations Act, the Company's Remuneration Report for the financial year ended 30 June 2009 is adopted by Shareholders."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

Resolution 2: Re-election of Mr Henricus J Rijs as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Henricus J Rijs, who retires from office in accordance with the Constitution and being eligible for re-election, is re-elected as a Director".

Resolution 3: Re-election of Mr Ernest Barr as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Ernest Barr who retires from office in accordance with the Constitution and being eligible for re-election, is re-elected as a Director".

Resolution 4: Re-election of Mr Christopher Riordan as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Christopher Riordan who retires from office in accordance with the Constitution and being eligible for re-election, is re-elected as a Director".

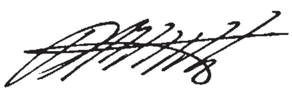
Resolution 5: Re-election of Mr John Schmoll as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr John Schmoll who retires from office in accordance with the Constitution and being eligible for re-election, is re-elected as a Director".

Dated this 23rd day of October, 2009

By Order of the Board



Philip W Thomas
Company Secretary

Voting by Proxy

A PROXY FORM is enclosed with this Notice of Meeting

- A member entitled to attend and vote at the AGM may appoint a proxy.
- A member entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. If a member appoints two proxies, neither may vote on a show of hands.
- A person appointed as proxy need not be a member of the Company.
- To be valid, the proxy form and the power of attorney or other authority (if any) under which it is signed, or a certified copy of any such power of attorney or other authority must be:
  - deposited at or posted to the Share Registry of the Company, Computershare Investor Services located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067; or
  - successfully transmitted by facsimile to the Share Registry of the Company on 1800 783 447 (within Australia) or +61 3 9473 2555; or
  - relevant custodians may lodge their proxy forms online by visiting www.intermediaryonline.com
  - deposited at or posted to the registered office of the Company, at 161-169 Princes Highway, Bairnsdale, Victoria 3875, by not less than 48 hours before the commencement of the meeting or any adjournment of the meeting

Corporate representatives

- If a representative of a corporate member is to attend the meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative must be produced prior to admission to the meeting.
- The form of a certificate of appointment can be obtained from the Share Registry of the Company, Computershare Investor Services located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067.

Voting entitlements

- The Directors have determined that the Shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the AGM will be as it appears in the share register of the Company, as held by Computershare Investor Services, at **7:00 p.m. (Melbourne Time) on Friday 20th November 2009**. Transactions recorded after that time will be disregarded in determining Shareholder entitlements to attend and vote at the AGM.

Explanatory Memorandum to the Notice of Annual General Meeting

Ordinary Business

Receipt of Accounts and Reports

The Corporations Act requires the Financial Report, the Directors' Report and the Auditor's Report (together, **Reports**) to be laid before the AGM.

There is no requirement in the Corporations Act or the Constitution for Shareholders to vote on, approve or adopt the Reports. Shareholders will have a reasonable opportunity at the AGM to ask questions about or make comments on the Reports and on the business, operations and management of the Company.

By law the Auditor (PricewaterhouseCoopers) is required to, and will, attend the AGM. Prior to the AGM, Shareholders who are entitled to cast a vote at the AGM may forward written questions to the Auditor for response by the Auditor at the AGM if such questions are relevant to:

- the content of the Auditor's Report; or
- the conduct of the audit of the Financial Report.

All such written questions for the Auditor must be submitted by returning the enclosed "Questions from Shareholders" Form by no later than **5:00 p.m. on 17 November 2009** (pursuant to section 250PA of the Corporations Act). The enclosed Form sets out the details regarding how the Form should be submitted to the Company's Share Registry, Computershare Investor Services Pty. Ltd.

The Company is required by section 250PA(3) of the Corporations Act to forward all such written questions to the Auditor, and the Auditor will prepare a list of questions that the Auditor considers to be relevant to the content of the Auditor's Report and the conduct of the audit of the Financial Report. The Auditor may omit questions that are the same in substance as other questions and questions that are not received in a timely manner. At the AGM the Chairman will give the Auditor a reasonable opportunity to answer the questions on the question list. The Company will make the list of questions prepared by the Auditor available on the Company's website.

At the AGM, the Auditor will be available to take Shareholders' questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements (contained in the Financial Report), and the independence of the Auditor in relation to the conduct of the audit.

Resolution 1: Adoption of the Remuneration Report

In accordance with the Corporations Act, Resolution 1 puts to the vote of Shareholders at the AGM that the Company's Remuneration Report be adopted.

The Remuneration Report is set out in the Directors' Report, contained in the Annual Report.

Please note, however, that the vote of Shareholders on the Remuneration Report pursuant to Resolution 1 is advisory only and does not bind the Directors or the Company, pursuant to section 250R(3) of the Corporations Act.

An opportunity will be provided for discussion of the Remuneration Report at the AGM.

The Board unanimously recommends that the Shareholders vote in favour of Resolution 1.

Resolution 2: Re-election of Mr Henricus (Harry) Rijs as a Director

Mr Henricus Rijs (who is an executive Director) must retire, and is eligible for re-election, at this AGM as a Director, pursuant to Listing Rule 14.4 and Articles 6.3 (b) and 6.3(c) of the Constitution.

Mr Henricus Rijs has been a director since 1989 and Deputy Managing Director since 2005. A son of the founders of Patties Foods, joining the company in 1972 as an apprentice pastry cook. Mr Henricus Rijs has extensive experience in the sales, marketing and distribution aspects of the business.

Other directorships: Davies Bakery (Aust) Pty. Ltd.

The Board (other than Mr Henricus Rijs, who abstains given his personal interest in this Resolution) unanimously recommends that Shareholders vote in favour of Resolution 2.

Resolution 3: Re-election of Mr Ernest Barr as a Director.

Mr Ernest Barr, (a Non-Executive Director), must retire, and is eligible for re-election, at this AGM as a Director, pursuant to Listing Rule 14.4 and Articles 6.3 (b) and 6.3 (c) of the Constitution.

Mr Ernest Barr has been a non-executive Director since 1994 and was Chairman from 1994 until 2005. Mr Barr has had more than 20 years experience with HJ Heinz Company serving as Chief Executive Officer of Heinz Japan, Heinz Australia and finally Area Director – Asia Pacific. Currently Mr Barr is Chairman of the Australian Fresh Food Alliance.

The Board (other than Mr Ernest Barr, who abstains given his personal interest in this Resolution) unanimously recommends that Shareholders vote in favour of Resolution 3.

Resolution 4: Re-election of Mr Christopher Riordan as a Director.

Mr Christopher Riordan was appointed by the Board as a Director and as Chairman of the Company on 7 July 2009 and in accordance with Listing Rule 14.4 and Article 6.3 (j) of the Constitution. Mr Riordan must retire, and is eligible for re-election at this AGM as a Director.

Mr Riordan, has over 19 years experience as a Non-Executive Director of numerous public and private companies, including 12 years as a director (7 years as chairman) of SPC Ltd., 4 years (3 years as deputy chairman) as a director of Golden Circle Ltd. and 6 years as a director of Wingara Wine Group Pty. Ltd. He is a practising lawyer with over 40 years experience specialising in commercial and corporate law.

Other current directorships, Chairman of Radio Rentals Ltd., since 1997, Chairman of Escor Pty. Ltd. Advisory Council since 2007.

Former directorships of listed companies in last 3 years, Golden Circle Ltd., Future Capital Development Fund Ltd.

The Board (other than Mr Christopher Riordan, who abstains given his personal interest in this Resolution) unanimously recommends that Shareholders vote in favour of Resolution 4.

Resolution 5: Re-election of Mr John Schmoll as a Director.

Mr John Schmoll was appointed a non-executive Director on October 1st 2009, and in accordance with Listing Rule 14.4 and Article 6.3 (j) of the Constitution, Mr Schmoll must retire, and is eligible for re-election at this AGM, as a Director.

Mr John Schmoll was Chief Financial Officer of Coles Myer Ltd. until his retirement from that role in 2002. He is currently Chairman of Breville Group Ltd. and, since 2005, has been a non-executive Director and chairman of the audit committee of Oroton Group Ltd. and AWB Ltd. Mr John Schmoll previously served as a Non-Executive Director and chairman of the audit committee of Australian Leisure and Hospitality Group Ltd., Golden Circle Ltd. and Chandler Macleod Ltd.

Mr John Schmoll has an extensive background, at both executive and non-executive capacities, in the retail, distribution and consumer product sectors. He has extensive knowledge in finance, accounting, capital management, debt/equity markets, strategic planning and corporate governance.

The Board (other than Mr John Schmoll, who abstains given his personal interest in this Resolution) unanimously recommends that Shareholders vote in favour of Resolution 5.

6. Glossary

In this Notice of Meeting and Explanatory Memorandum, the following terms have these meanings unless the contrary intention appears or the context otherwise requires:

AGM or Annual General Meeting	The annual general meeting of the Company scheduled to be held on 24 November 2009 pursuant to this Notice of Meeting and Explanatory Memorandum
Annual Report	The Company's Annual Report for the year ended 30 June 2009, which is available on the "Investors" section of the Company website www.patties.com.au
ASX	ASX Limited ABN 98 008 624 691
Auditor	The auditor of the Company, PricewaterhouseCoopers of 2 Southbank Boulevard, Southbank VIC 3006
Auditor's Report	The report of the Auditor, as contained in the Annual Report
Board	The board of Directors of the Company
Constitution	The constitution of the Company in force as at the date of this Notice of Meeting and Explanatory Memorandum
Corporations Act	Corporations Act 2001 (Cth)
Directors	The directors of the Company, and **Director** means any one of them
Directors' Report	The report of the Directors for the Company's financial year ended 30 June 2009, as contained in the Annual Report
Financial Report	The annual financial report (including financial statements, notes to the financial statements and the Directors' declaration about the financial statements and the notes) of the Company for the financial year ended 30 June 2009, as contained in the Annual Report
Listing Rules	The listing rules of ASX
Patties or Company	Patties Foods Limited ABN 62 007 157 182
Remuneration Report	The section of the Directors' Report entitled "Remuneration Report", as contained in the Annual Report
Shares	Fully paid ordinary shares in Patties, and **Share** means any one of them
Shareholders	Holders of Shares, and **Shareholder** means any one of them

Patties Foods Ltd
ABN 62 007 157 182

000001 000 PFL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

☑ **Cast your proxy vote**	***Your secure access information is:***
☑ **Access the annual report**	**Control Number: 999999**
☑ **Review and update your securityholding**	**SRN/HIN: I9999999999** **PIN: 99999**
	PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 2:00 pm Sunday 22 November 2009

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark X to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Patties Foods Limited hereby appoint

the Chairman of the meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Patties Foods Limited to be held at 2:00 p.m. on Tuesday, 24 November 2009 at Jim Stynes Room, located in the Olympic Stand, Level 2 at the Melbourne Cricket Ground (MCG) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1.	Adoption of the Remuneration Report			
Resolution 2.	Re-election of Mr Henricus J Rijs as a Director			
Resolution 3.	Re-election of Mr Ernest Barr as a Director			
Resolution 4.	Re-election of Mr Christopher Riordan as a Director			
Resolution 5.	Re-election of Mr John Schmoll as a Director			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date ___ / ___ / ___

QUESTIONS FROM SHAREHOLDERS

Your questions are important to us. Please use this form to submit any questions about Patties Foods Limited that you would like us to respond to at the Annual General Meeting. Your questions should relate to matters that are relevant to the business of the meeting.

Questions will be collated and we will respond to as many of the more frequently asked questions as possible at the Annual General Meeting. Please note we will not be able to reply individually.

Shareholders name: ....

Address: ....

....

Securityholder Reference Number (SRN) or Holder Identification Number (HIN) ....

Questions:

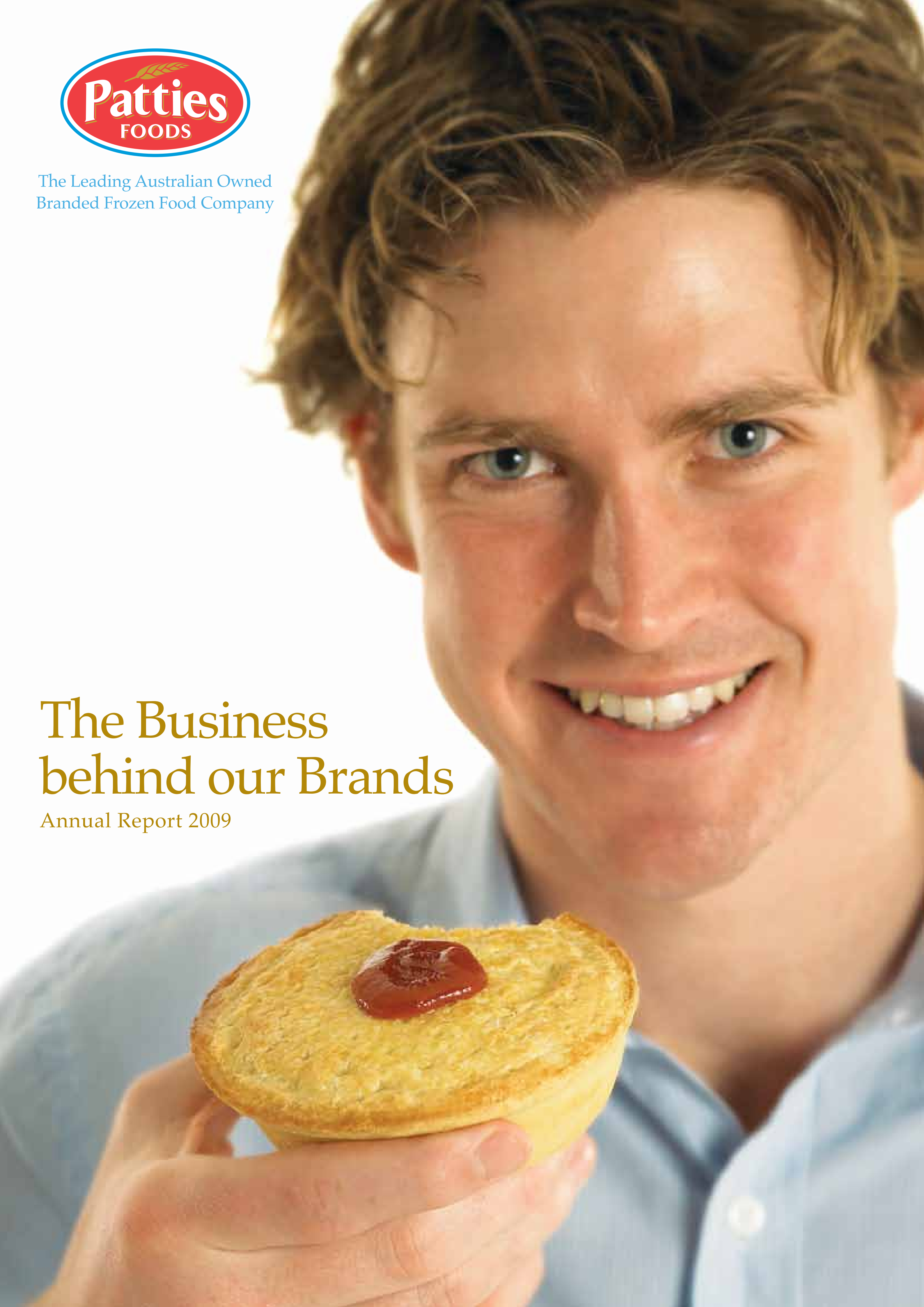
This form should be received by the Company's Share Registrar, Computershare Investor Services Pty Limited, in the reply paid envelope provided or faxed to +61 3 9473 2555 by 17th November 2009, 5.00pm to assist in a considered response at the Annual General Meeting.

Alternatively you may email your question to patties@computershare.com.au

103056_00WEXA

Patties FOODS

The Leading Australian Owned Branded Frozen Food Company



The Business behind our Brands

Annual Report 2009

...in the home

Patties Foods Limited
ABN 62 007 157 182

Annual General Meeting
The 2009 Patties Foods Ltd Annual General Meeting will be held on Tuesday 24th November 2009 at 2pm at the Melbourne Cricket Ground (MCG) in the Jim Stynes Room, Level 2, Olympic Stand.

...out of the home

For Patties, FY2009 was certainly "a game of two halves". The first six months saw poor production performance and customer service deliveries, unexpected one-off costs then, an improved second half. But even with strong sales growth the company underperformed.

A company in good hands…

MESSAGE FROM ERNEST W BARR ACTING CHAIRMAN FROM 5 NOVEMBER 2008 – 7 JULY 2009

The 2009 financial year was a disappointing year. Increased competitor activity in most sectors, continuing inefficiencies in the plant and higher imported fruit costs provided lower than expected profits. In addition, sales hampered by inventory shortages led to loss of market shares. The new management team has commenced the work in generating improved returns from the significant investment in new assets and equipment over the last two years. Improved sales margins and factory efficiencies, to build profits, remain the highest priority for the company.

The strategic direction of the company remains one of growth. Building the base through operational efficiencies and creating increased demand from consumers for our branded food offerings should provide strong future growth in earnings.

Whilst there has been increased competition over the year, it is pleasing that our strong brands, Patties, Four'n Twenty, Herbert Adams and Nanna's, continued to grow in sales albeit at a disappointing rate in the first nine months of the year. The last quarter saw a strong recovery in sales and market shares.

The Creative Gourmet/Chef's Pride group has an ever-increasing number of competitors and the total market for Frozen Fruit continues to grow. Despite the loss of market share, Creative Gourmet continued as the market's leading brand.

The Board took a prudent approach to capital management by reducing dividends paid to shareholders during the year. Whilst the reduced earnings weakened cash flow in the year, debt increased only slightly.

In September 2008, the company renegotiated the bank facility, with a positive outcome.

The new management team has brought strong FMCG commercial and manufacturing experience to the business and the last few months of the year have seen improvements in the performance of the business. I welcome the new Chairman, Mr Chris Riordan, to the Board and, with the extensive FMCG Board level experience he brings to the company, we look forward to his leadership of the company.

In closing, I would like to commend our management team. The new executives have integrated quickly into the business and have been welcomed by the broader management group. The staff and all employees have worked diligently and enthusiastically over a period of disruption and change – I thank them.

I would also like to thank my fellow directors for supporting me over the last nine months.

Ernest W Barr
Acting Chairman

Working together to improve performance

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholder

As I write this report, I have been the chairman of Patties Foods Ltd. for less than three months. During that short period, I have had the opportunity to meet with many of the company's employees, including all members of the senior management team. I am impressed with their enthusiasm and commitment and with the overall culture of the organization.

Many people have asked me why I agreed to accept the appointment as chairman. The reasons are simple – it is a relatively young, listed company with exciting potential; the leading Australian owned branded frozen food company; it boasts a stable of outstanding brands with a broad range of quality products; it holds strong market shares in all its segments and clear market leadership in the frozen savoury segment; it has a state of the art production capability.

For the reasons stated elsewhere in this Annual Report, there is no denying that 2008/2009 was a difficult year with a disappointing profit result. My clear initial impression is that the newly constituted board and senior management team are now looking forward and working closely together to improve the company's performance.

I look forward to being part of the team which enhances shareholder value in 2009/2010 and beyond. I hope to meet as many of you as possible at the Annual General Meeting in November.

I would like to take this opportunity to thank my colleague, Ernest Barr, for his selfless efforts in taking on the role of acting chairman in late 2008 until my appointment.

I am delighted that John Schmoll has agreed to join the Board. His extensive commercial experience and specialised financial expertise make him a valuable addition to the Board.

Christopher Riordan
Chairman – Appointed 7 July 2009

Rebuilding the core business ready for growth

MANAGING DIRECTOR'S REPORT

To our Shareholders

When I joined Patties Foods Ltd. less than a year ago, I discovered an unpolished diamond. I could see there were supply issues stopping us from meeting the strong demand for our brands and products. Our customers were not being serviced as they should, and we had not launched new products for some time. Once we were on top of these issues I was confident there would be a rosy future ahead. The road was bumpy as we addressed these issues, and a disappointing profit was the result. But some things remained – our great assets, great brands and great people.

Great Assets

Over the last 2 years the company has invested over $25 million in state of the art production equipment and infrastructure to provide improved efficiency and capacity for future growth. During the year, our new assets did not achieve the benefits expected until late in the financial year. This caused supply disruptions, therefore disappointing our customers and consumers.

"Whilst 2009 was a disappointing year, the new management team has commenced the process to achieve a sustainable lift in earnings and shareholder value".

Earnings summary

$m	FY09	FY08	% Change
Sales Revenue	$179.2	$164.0	9.3%
EBITDA	$26.3	$26.9	-2.1%
EBIT	$20.3	$22.5	-9.8%
NPAT (Reported)	$11.3	$13.8	-18.7%
EPS (cents)	8.1	10.0	-19.0%
DPS (cents)	4.5	7.3	-38.4%
EBIT – Normalised	$21.0	$23.9	-12.1%
NPAT – Normalised	$11.8	$15.0	-21.3%

Understanding the numbers

Revenue

The Company experienced a strong year in sales growth, recording revenue of $179.2m, up 9.3% on the prior year. This was driven by good growth from the Out of Home Division.

NPAT

Earnings were impacted by reduced margins as a result of:
- *manufacturing equipment commissioning challenges*
- *increased promotional activity to regain market share and shelf presence*
- *higher fruit costs with increased competition in the Creative Gourmet / Chef's Pride Business.*

Dividend

Reduction in the dividend and the dividend payout ratio reflects the need for a prudent capital management strategy in the current economic environment.

With new operational management in place, the Continuous Improvement methodology and changed work practices were implemented in 4Q09. The optimisation and fine tuning of these assets to operate at best practice levels will continue in FY2010.

Great Brands

In this very difficult year we still generated growth from our great brands. Increased competitor activity caused heavy discounting and reduced our market shares in all retail categories over this period.

The global economic downturn has caused a "flight to value" in most retail categories. The company launched new products in late FY09 to capture this trend with good results.

Our icon brands once again drove strong growth in the emerging out of home division. More and more consumers are enjoying a Herbert Adams or a Four'n Twenty product either at a sporting venue, local convenience store, café or school.

Our Patties entertainment and catering ranges are increasing in popularity in the foodservice and hospitality channels.

The Creative Gourmet retail and Chefs Pride foodservice frozen fruit products were negatively impacted by the weaker Australian currency, causing higher input costs. In addition, increased competitor activity from new entrants caused a significant squeeze on margins. The recently announced re-location of the fruit packing operation from Sydney to Bairnsdale will provide a lower cost platform to grow profitability.

Great People

Our great people have worked under difficult circumstances throughout the year. The new management team has driven an increased focus on both operational excellence and creating consumer demand. This has required many changes in the way we do things. Implementing Continuous Improvement systems in the bakery has brought about cross-functional teams, identifying and executing improvements in the manufacturing process to build efficiencies and production optimisation. We have commenced this work and with our new Continuous Improvement team, I have high expectations of ongoing, sustainable improvement in the way we do things.

With greater focus on customer service from increased resources and the implementation of a national field team, we will rebuild and improve the Patties "can do" culture to drive improved shareholder value. This will drive innovative new products and improved customer service levels.

To drive high performance across the company we have implemented a performance pay system. Over 95% of employees will be rewarded when they over achieve both individual and company targets, commencing in the new financial year.

Many new people have joined the company in all parts and locations of the business. I welcome the new skills and energy that they bring with them as they add to the knowledge and experience of the Patties' family.

Safety in the workplace remains a high priority with regular audits and system improvements to reduce risk of injury in the operations, and also to ensure full compliance with legislation.

Better outlook as benefits flow through

Whilst 2009 was a disappointing year, the new management team has commenced the process to achieve a sustainable lift in earnings and shareholder value.

We have:

1. undertaken an organisation wide review
2. identified the key issues impacting on performance
3. implemented an action plan to trigger improved performance
4. set a strategic framework to maximise shareholder value.

You could say we have started to polish the diamond. With a management team highly experienced in Fast Moving Consumer Goods industries, and the Board fully supporting the action plan we have implemented, I am confident and optimistic of the future growth in shareholder value.

Greg Bourke
Managing Director

The business behind our brands requires:

A strategic framework to grow…

PHASES	OUTCOMES	
Build the base	**– Low costs** Ensure we achieve maximum efficiencies from the plant to provide the lowest unit cost for all products. **– High Customer Service Levels** Deliver on-time, in-full to all customers to strengthen relationships with customers and to enable consumer demand to always be met.	**– Back to basics** Build a strong balance sheet by optimising working capital and investing in assets that provide a foundation of future growth of shareholder value. **– Category leadership** Understand the drivers of growth in each product group and gather insights in consumer behaviour to identify opportunities for sustainable growth.
Develop and grow	**– Extra products** Create innovative, new high quality products based on consumer changing demands with the best ingredients. **– Extra ranging** Expand our shelf space and retail presence by extending our range of brands into new areas.	**– Extra distribution** Maximise the presence of each brand across all customers to ensure every consumer has the opportunity to purchase our product in every location. **– More customers** Find more customers in both the In-Home and Out-of-Home divisions, who can onsell our products to consumers.
Expand and extend	**– New Channels** Identify and target new channels to create new and increased consumer demand for our extended range of products. **– New Regions** Take our great brands to places they have never been! Expand our R&D capability to meet the consumer demand for food products outside our current distribution network.	**– New Categories** Leverage our great brands into new products, outside the current range of products. **– New sub-business** Building a base of operation excellence will provide the competency to efficiently and effectively operate new manufacturing facilities, making different products.

High Performance Teams Highly skilled management team leading

the leading Australian owned branded frozen food company

ENABLERS

MEASURES & PROGRESS

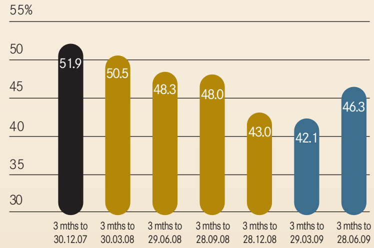
– Continuous improvement
Embed a relentless drive for continuous improvement in everything we do. Be innovative in the way we do things and the products we make.

– Demand management
Create and manage consumer demand by investing in brands and high quality products that consumers want to buy.

– Execution based on information
Implementing improvements in IT systems and management processes, across the business, will ensure the management team can focus on the areas that need to be fine tuned, and make the right decisions at the right time.

– Enhanced management team
Extensive experience at senior levels in the FMCG industry at both the supply and customer ends, with a broad level of experience of applying consumer insights into demand creation initiatives and a strong people development and talent identification focus.

– Rebuild our core business
Dollars Share – In Home Frozen Savouries Category (%)



SOURCE Aztec scan data

– How far have we progressed?

– Customer relationships
Build strong partnerships with customer to provide mutually beneficial growth opportunities.

– New product development
Build a deep understanding of consumer needs to identify new product opportunities.

– Integrated business planning
Ensure the business can react rapidly to cyclical and seasonal changes that create positive opportunities, and remedial actions are implemented when required.

– Key customers
In-Home
Major national supermarket chains and independent retailers who service consumers who regularly use our products in their home environment as a meal or snack.

Out-of-Home
National franchise groups, route trade, petrol and convenience outlets and general hospitality and foodservice markets. They service consumers who eat on the run and make spontaneous purchase decisions for many occasions.

– Brand extension & innovation

– How far have we progressed?

– Opportunity capture
Identify and evaluate business opportunities that will add to shareholder value on a sustainable basis.

– In good financial shape
A strong balance sheet, with access to additional funding, will provide the capability to grow and expand the business and build shareholder value.

– In good financial shape to grow
With a new debt facility in place and a strong share register of supportive investors, we are well placed to apply our expected future strong cash flows to capture opportunities as they arise.

– Key ratios

Debt to Equity

63.5%

Anualised borrowings/ EBITDA ratio

2.68

– How far have we progressed?

top talent across the business.

Growing our leading Australian owned frozen food brands…

As global financial conditions deteriorated, making times tougher for Australian consumers, many households re-assessed their priorities. Families began spending more time at home, with informal entertaining, weekend lunches and evening meals the main occasions *In Home*. Patties Foods, with a suite of market leading brands in the Frozen Savoury and Frozen Dessert categories was well placed to capture some of this opportunity…

Creative Gourmet®

Retained market leadership in face of increasing competition

Herbert Adams

Launch of new Fingerfood range drove brand growth and category growth

Nanna's

Launch of new Mini Fruit pie range delivered sales growth above expectations

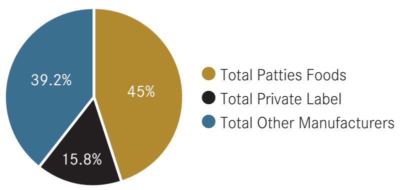
THE GREAT AUSTRALIAN TASTE FOUR'N TWENTY®

Retained market leadership in one of Australia's favourite categories

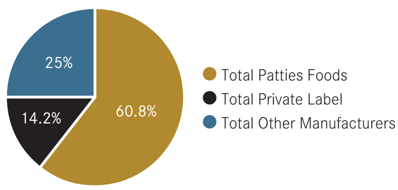
Four'n Twenty was again at the forefront of consumer promotions and advertising with the increased brand awareness from the Magic Salad Plate campaign, and the launch of the Hungry Man Sausage Roll with TV advertising support.

...in the home!

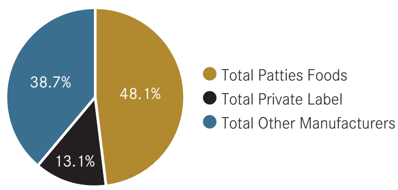
Savouries Market Share



Fruit Pie Market Share



Frozen Fruit Market Share



Source: Aztec scan data – MAT 28/06/09

Revenue from the *In Home* Sales was up 4% over the prior year.

Supply constraints reported at the half year which caused out of stocks and deletions were reversed in the second half and this enabled a resurgent performance.

Category Market Shares in Savoury and Dessert recovered and commenced a positive trend during the second half.

Savoury Category

PFL retains market leadership. Market share trend performance shows recovery with annual market share growth expected to continue.

Improvements in ranging and space with major customers along with strong promotional programs have improved performance.

New line launches have been well accepted and have assisted in driving growth along with a return to consistent supply.

Improving relationships with major Retailers have resulted in joint business plans driving sales and agreed programs to build volume and achieve overall category growth.

Fruit Pie Category

The second half of the year saw Fruit Pie accelerate in performance as supply constraints were eliminated and promotional activity was increased. The launch of the Nanna's Mini Fruit Pie during second half was very successful and added value to the PFL business.

Frozen Fruit Category

Fruit continues to be a very competitive category. PFL has retained market leadership and has controlled promotional spend whilst also maintaining a competitive position. New entrants have established themselves in this healthy growth category which will continue to attract new consumers as New Product Development and marketing activities drive growing consumer awareness and household penetration.

Fruit growth on last year shows a flat but stable position for PFL as heavy discounting by competitors continues to impact but is adding growth to the category.

The business behind our brands requires:

Patties

Pies (+ sausage rolls & pasties) are the leading food category in convenience stores throughout Australia – on par with confectionery and salty snacks (chips, etc).
Source: Him! Market Research, May 2009

THE GREAT AUSTRALIAN TASTE
FOUR'N TWENTY

The Four'n Twenty "Aussie" range – developed specifically for schools – with reduced fat & salt of around 50%, continues to grow along with changing market trends.

Growing our leading Australian owned frozen food brands…

As our lives become busier & busier, consumers are eating many meals "on the go". Four'n Twenty & Herbert Adams products are enjoyed *Out of Home* predominantly via Convenience stores, Sporting Venues and schools. Our range of products for the foodservice industry, under the Patties and Chefs Pride brands caters for this specialised *Out of Home* segment – with growth via caterers, pubs & clubs and chefs.

CHEFS PRIDE®

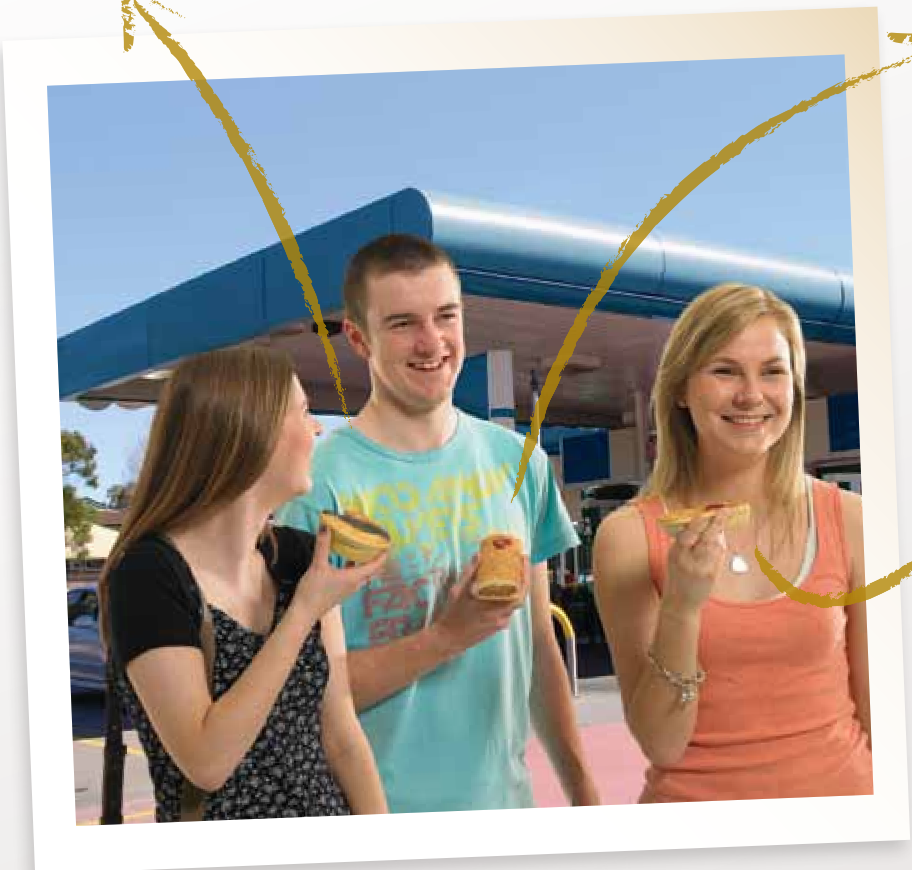
Our range of premium centre-of-plate fruit products and exclusive selection of potato products are served in 5 star restaurants, hotels, catering outlets and quick service restaurants.

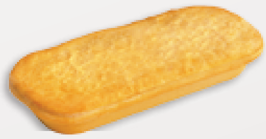
Herbert Adams

Growing range of premium pies with new flavours.

THE GREAT AUSTRALIAN TASTE
FOUR'N TWENTY

The largest branded sausage roll on the market and launched during FY09 with television support.





THE GREAT AUSTRALIAN TASTE
FOUR'N TWENTY

The very popular Traveller range ideal for that on-the-run snack.

...out of the home!

Revenue growth from the Out-of-Home Division was up 19% over prior year. Results were delivered by securing major new contracts in the Petrol & Convenience and Catering channels and increased new business gains throughout the Out of Home market.

Strong performance across core channels

New products launched throughout the year drove innovation and stimulated additional sales across all markets.

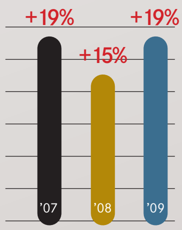
Investment in the dedicated field team continues to be reflected in sustained growth levels and the positive gains in market share across core channels. The addition of a dedicated marketing resource for Out-of-Home also has added valuable support to the delivery of sales growth. Major sporting venues continue to deliver increased sales and brand visibility in key markets.

Food servicing delivering

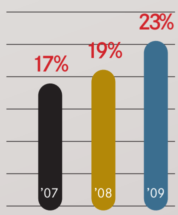
Market conditions in the fruit business remain challenging with major initiatives to be rolled out in the first half of 2009/10 to assist in delivering increased revenue in this segment.

A positive outlook is forecasted for the upcoming new year built on the solid base established in FY09.

Revenue Growth



Market Share*



*Management estimate

Driving operational excellence…

Working with our people to involve them in diagnosing then solving problems in the plant has improved efficiency and morale in the work place.

Improving operational efficiencies

FY09 was a "game of two halves" for the company's operations team with a disappointing start followed by a pleasing improvement in the second half.

The difficulties in commissioning the new pie line and fruit line have finally been overcome. Improvements in plant performance have commenced to firstly restore and then enhance plant efficiency levels. The drivers of these improvements are the Continuous Improvement initiatives introduced in the second half.

A strategic review of the frozen fruit operation at Silverwater NSW has identified benefits from relocation into the Bairnsdale facility. This is planned to occur early in the second half of FY10.

The strategic partnership strengthens

The Davies Bakery joint venture continues to be a good strategic partnership in providing manufacturing options to meet demand peaks and provide year round specialist short run capability.

With the bulk freezer now commissioned and fully operational we are achieving the planned benefits from this major infrastructure investment.

Integration and efficiency

Creative Gourmet and Chefs Pride customer service functions are now fully integrated into the group's Customer Service Operations. Chefs Pride distribution is now fully integrated into PFL's Out of Home distribution creating an efficient one order one invoice service to our Distributor customers.

Working with our people

Our people continue to develop and grow with the drive for high performance. Contemporary people management policies and procedures have been built over the past 12 months to ensure all employees understand the expectations of the business, and have the capability to meet the goals set for them. Targeted training is used to build skills across all functions, and all managers are assessed on how well they develop their people.

...with a high performing team

The new 10,000 pallet freezer warehouse has improved the Bairnsdale infrastructure with HACCP certified, efficient storage capability.

Our state of the art manufacturing equipment enables us to produce a broad range of high quality products

- Enable outstanding front-line execution across sales and operations through the right training, resources and work practices
- Drive clear accountability with an aligned rewards strategy that recognises individual, team and business achievement
- Implement OH&S systems and processes that deliver improved workplace safety and full compliance with all OH&S legislation and regulations

As Continuous Improvement methodology embeds itself into the fabric of the Bairnsdale Plant and our factory teams, we are achieving sustainable gains across the operations

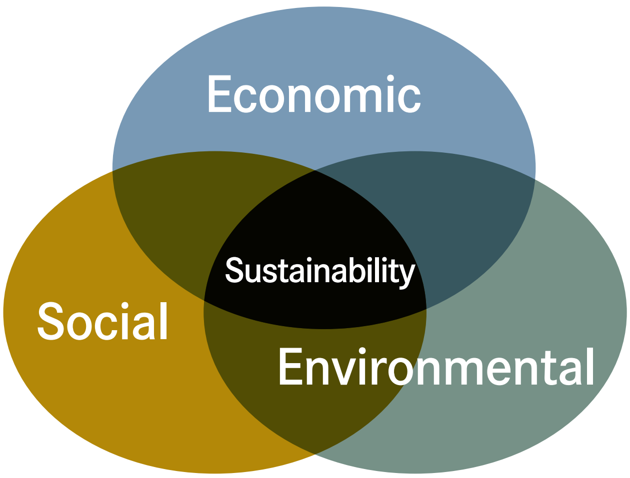
Challenge
supporting kids with cancer

Patties Foods is proud to partner with Challenge in developing the Biggest Aussie Pie Night

Patties Food Limited Managing Director and Chief Executive Greg Bourke presents a cheque to Challenge Chief Executive Officer David Rogers for the proceeds of fundraising activities held at the MCG and Gabba venues during the year.

Sustainable performance...

We are mindful that there is a future that we contribute to and are responsible for. We can minimize our impact on the environment, whilst increasing revenue and profit. We are striving to find that balance in everything we do, and remain a positive contributor to the communities we operate in.



Sustainability

At Patties Foods we are always seeking win-win outcomes by challenging our business processes.

We are signatories to the National Packaging Covenant, with a specific focus on reducing the amount of packaging we use, and increasing the amount of recycling. We have embarked upon a Waterwise/Wastage Reduction project – delivering a significant reduction in wastage, and capturing, treating and storing our storm water. We have invested in best in class refrigeration systems to reduce our refrigeration emissions.

Most importantly, we continue to invest in innovation, invest in our people, brands and assets to deliver business sustainability.

Raised money for
Challenge via the
Biggest Aussie Pie Night
Total amount ~

$67,145.66

Photographer: Martin Philbey

...in our communities and the environment

Community Involvement

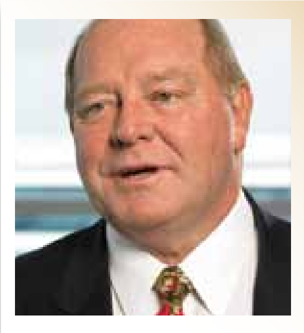
Through 2009 Patties Foods was again involved in and supported many sporting and educational institutions in Gippsland. This helped to bring a large number of major events to the region and contributed to the further well being of the community and local economy.

Our community involvement reached further than just commercial sponsorship activities. During the year we continued to apply and support the values set by the founders through making contributions to community based not for profit organizations throughout Australia. Some of these include Challenge, the Victorian Bushfire Appeal, Life Saving Victoria, Open Family, Reach Foundation, Variety Club of Victoria and Foodbank of Australia.

This long tradition of support for the community enhances the Patties Foods corporate brand through demonstrating that as a responsible and good corporate citizenship, we care about the community.

Board of Directors

Ernest W Barr



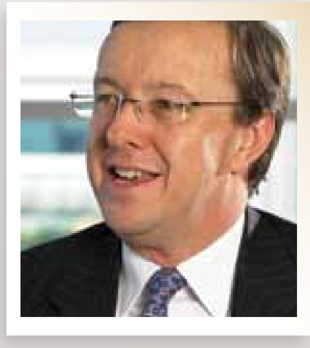
Curt Leonard

Richard Rijs

Greg Dhnaram

Harry Rijs

Chris Riordan



Greg Bourke

Ernest W Barr

ACTING CHAIRMAN – 5 NOVEMBER 2008 TO 7 JULY 2009

Experience and expertise

Independent Non-Executive Director since 1994 and Chairman from 1994 until 2005.

Over 20 years with HJ Heinz Company serving as Chief Executive Officer of Heinz Japan, Heinz Australia and finally Area Director Asia Pacific.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Member of Audit, Risk and Compliance committee.

Acting Chairman.

Curt Leonard

INDEPENDENT NON-EXECUTIVE DIRECTOR

Experience and expertise

Independent Non-Executive Director since 2003.

Over 31 years experience working with the Mars Group, including General Manager of Mars Confectionery, Managing Director of Uncle Bens and Managing Director of Mars Australia and New Zealand.

Served as President, Asia Pacific of all Mars business and Director of the Managing Board of Mars Incorporated global business.

Other current directorships

Non-Executive Director of Select Harvests Limited (since July 2004). Appointed Chairman 2008.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Member of Audit, Risk and Compliance committee.

Richard Rijs

NON-EXECUTIVE DIRECTOR

Experience and expertise

Managing Director from 1989 to 2007.

A son of the founders of Patties Foods, joining the business in 1971, working in all aspects of production, packaging, despatch, sales and distribution.

Other current directorships

Davies Bakery (Aust) Pty Ltd.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Greg Dhnaram

INDEPENDENT NON-EXECUTIVE DIRECTOR

Experience and expertise

Currently Chief Executive Officer of Favco Group.

30 years experience with Woolworths Ltd.; including a number of senior positions at both State and National levels.

Extensive experience in buying, marketing, operations, strategic planning and all aspects of retail.

Other current directorships

Non-Executive Director of Citrus Australia Limited.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Member of Audit Risk and Compliance committee.

Harry Rijs

EXECUTIVE DIRECTOR

Experience and expertise

A director since 1989 and Deputy Managing Director since 2005.

A son of the founders of Patties Foods, joining the company in 1972 as an apprentice pastry cook. Extensive experience in the sales, marketing and distribution aspects of the business.

Other current directorships

Davies Bakery (Aust) Pty Ltd.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Chris Riordan

CHAIRMAN – FROM 7 JULY 2009

Over 19 years experience as a non-executive director of numerous public and private companies, including 12 years as a director (7 years as chairman) of SPC Ltd., 4 years (3 years as deputy chairman) as a director of Golden Circle Ltd. and 6 years as a director of Wingara Wine Group Pty Ltd. Chris is a practising lawyer with over 40 years experience specialising in commercial and corporate law.

Other current directorships

None.

Former directorships

Director and Deputy Chairman of Golden Circle Ltd. (May 2005 – December 2008)

Chairman of Future Capital Development Fund Ltd. (June 2005 – December 2008)

Special responsibilities

Chairman.

Greg Bourke

MANAGING DIRECTOR

Experience and expertise

Over 25 years experience in finance and corporate executive roles including 20 years at George Weston Foods Ltd. in Australia and New Zealand, serving as Chief Financial Officer of Don's Smallgoods, Group General Manager of Weston Milling New Zealand and Southern Regions General Manager Weston Milling Australia.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Managing Director.

Member of Remuneration and Nomination committee.

Financial Statements

for the year ended 30 June 2009

Patties Foods Limited

ABN 62 007 157 182

This financial report covers both Patties Foods Limited as an individual entity and the consolidated entity consisting of Patties Foods Limited (the Company or Parent) and its subsidiaries (collectively the Group). The financial report is presented in Australian currency.

Patties Foods Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Patties Foods Limited
161-169 Princes Highway
Bairnsdale VIC 3875.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 19 to 27 in the Directors' Report which is not part of this financial report.

The financial report was authorised for issue by the directors on 24 August 2009. The directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Investor Centre on our website: www.patties.com.au

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Patties Foods Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

The following persons were directors of Patties Foods Limited during the whole of the financial year and up to the date of this report:

Richard C Rijs
Henricus J Rijs
J Curt Leonard
Ernest W Barr

Christopher Riordan was appointed as a director and Chairman on 7 July 2009 and continues in office at the date of this report.

Michele J Allan was a director from the beginning of the financial year until her resignation as Managing Director on 21 August 2008. She resigned as Chief Executive Officer on 23 September 2008.

Gregory Dhnaram was appointed as an independent Non-Executive Director effective 23 September 2008 and continues in office at the date of this report.

Gregory J Bourke was appointed as Managing Director effective 26 March 2009 and continues in office at the date of this report.

Peter T Kempen was a director and Chairman from the beginning of the financial year until his resignation on 5 November 2008.

Ernest Barr was appointed as Acting Chairman from 5 November 2008 until 7 July 2009.

Principal activities

During the year the principal continuing activities of the company consisted of the manufacture and marketing of frozen food products.

Dividends – Patties Foods Limited

Dividends paid to members during the financial year were as follows:

	2009 $'000	2008 $'000
Final ordinary dividend for the year ended 30 June 2008 of 4.5 cents (2007 – 4.4 cents) per fully paid share paid on 10 October 2008	6,246	6,118
Interim ordinary dividend for the year ended 30 June 2009 of 2.0 cents (2008 – 2.8 cents) per fully paid share paid on 15 April 2009	2,776	3,893
	9,022	10,011

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final dividend of $3,470,000 (2.5 cents per fully paid share) expected to be paid on 9 October 2009 out of retained profits at 30 June 2009.

The dividend will be fully franked. Total dividends for FY2009 are therefore 4.5 cents per share (FY2008: 7.3 cents per share). The dividend payout ratio is 55% (FY2008: 73%).

Review of operations and activities

The Group experienced a strong year in sales growth, recording revenue of $179.2m, up 9.3% on the prior year. This was driven by good growth from the Out-Of-Home Division (foodservice, catering, petrol and convenience and franchise channels).

Despite the strong sales growth, reductions in margins caused the normalised NPAT to reduce by 21.3% to $11.8m. The principal drivers of this disappointing trading result were:

- difficulties in completing commissioning of the new bakery plant in the first half, which led to unacceptable customer supply levels (with resultant deletions) and increased production costs;
- increased promotional activity in the second half to regain market share and shelf presence; and
- higher fruit costs and increased competition in the Creative Gourmet/Chef's Pride business.

The manufacturing inefficiencies have been remedied with plant performance gaining momentum through the second half to firstly restore and then improve on previous plant efficiency levels. This improvement has been achieved by optimising the new equipment and introduction of a Continuous Improvement program across the Bairnsdale plant. The fourth quarter has shown increased output rates, reduced waste and improved labour efficiencies.

Highlights for the year were:

- record sales revenue driven by a 19% increase in the Out-Of-Home Division;
- major contract secured in the petrol and convenience channel in the fourth quarter driving further growth in FY2010;
- significant improvement in manufacturing efficiencies and customer supply levels during the second half;
- successful product launches of extended Four'n Twenty Hungry Man range, Nanna's fruit pie range, and Wedgewood and Snowy River ranges of savoury value products;
- successful brand building initiative with Four'n Twenty "Magic Salad Plate" campaign; and
- recruited new management team and additional directors.

(a) Financial Performance

Net profit after tax (NPAT) for the year reduced 18.7% to $11.3m. After adjusting for one-off items, described below, the normalised NPAT was $11.8m, down 21.3% from the prior year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) reduced slightly by 2.1% to $26.3m.

FY2009 was the second year of operation of the Group's investment in the Davies Bakery (Aust) Pty Ltd. business and improved earnings were achieved. Further improvement is expected in FY2010.

The effective tax rate for the year was 26.2% due to deductions for R&D tax concessions and benefits from the Capital Investment Allowance.

(b) One-off items impacting on full year maintainable result

One-off items were payments of mutually agreed sums made by the company to former senior executives and related costs in connection with their departure from the Company. The total after tax impact of these one-off factors on NPAT for FY2009 was a reduction of $535k ($764k before tax). FY2008 one-off items totalled $1.175m NPAT.

(c) Sales

The investment in the growing Out-of-Home Division has resulted in revenue increase of 19% on prior year. This was achieved through capturing greater penetration of the petrol & convenience, catering and franchise channels.

Revenue from the In-Home Division (retail supermarkets) was up 4% over the prior year. Supply constraints reported at the Half Year, which caused out of stocks and deletions, were reversed in the second half and this enabled a resurgent performance. Category market shares also recovered and commenced a positive trend during the second half.

Monthly market shares in the frozen savoury segment increased by 6.2 percentage points from December 2008 to June 2009.

The Frozen Fruit market continues to be highly competitive with heavy discounting, however we have maintained market leadership with the Creative Gourmet brand.

(d) Marketing and Innovation

The Group continues to support its portfolio of market leading brands which include Four'n Twenty, Nanna's, Patties, Herbert Adams, Snowy River, Wedgewood, Creative Gourmet and Chefs Pride.

Marketing activity in FY2009 was focused on driving demand for our core range of products during key seasonal peaks. A broad range of consumer promotions were conducted throughout the financial year, including the Four'n Twenty Magic Salad Plate promotion, Creative Gourmet "Kitchenaid" promotion, and Patties DVD promotion. The company remains committed to driving baseline sales growth and brand exposure through appropriate venue sponsorship and targeted consumer and end user activity.

A review of Innovation and R&D processes during FY2008 resulted in a renewed & improved focus on New Product Development. Benefits were realised towards the end of FY2009, assisting in delivering growth for our leading brands in new and existing markets in both In-Home and Out-of-Home markets. This investment will continue to give benefits in FY2010.

(e) Operations

Customer supply levels improved significantly in the second half from the disappointing first half performance. An improved bakery operation has been taken into FY2010 with the company focused on maintaining and building the efficiency improvements as we improve our operational excellence capability. Benefits from investment in capital expenditure projects continue to be identified, and will be reviewed and implemented consistent with cash flow forecasts.

A strategic review of the frozen fruit operation at Silverwater NSW has identified financial benefits from relocation into the Bairnsdale facility. This is planned to occur early in the second half of FY10.

The Davies joint venture operation continues to provide good service to the company by helping meet peak demand and by providing year round specialist short run capability.

(f) Risk management

The Group completed a detailed Risk Assessment identifying strategic, operational and financial risks to the business. A detailed mitigation and action plan is in place. Key insurances were recently reviewed and revised where appropriate as part of this process.

The Group also completed a review of the National Greenhouse and Energy Reporting Act 2007 (NGER) requirements to ensure compliance when the new reporting framework is introduced in FY2010. While it is clear there will be higher input costs from the impact of carbon costs, we do not expect any significant structural or strategic negative impacts.

(g) Financial position

Net assets of the company increased by $1.9m (1.7%) to $111.1m over the prior financial year. Net assetbacking per share and net tangible asset backing per share both also increased over the prior year.

(h) Dividend

A final fully franked dividend of 2.5 cents per share (FY2008: 4.5cps) has been declared. The total dividend per ordinary share for FY2009 is 4.5cps (FY2008: 7.3cps). The reduction in the dividend payout ratio reflects the directors' view of the need for a prudent capital management strategy in the current economic environment.

The record date for entitlement for the final dividend is 15 September 2009 and the dividend payment date is expected to be 9 October 2009.

(i) Capital management

Total borrowings at 30 June 2009 were $70.5m, well within total facilities limits of $80.1m, with the company meeting all borrowing covenants. The Company successfully secured a longer term debt facility on a 2 year rolling basis with the first review occurring in December 2010. Approximately 50% of the Company's borrowings are at an attractive fixed rate using interest rate swaps with a mixture of 2, 3, 4 and 5 year terms.

Borrowings reduced by $7.9m in the 6 months to 30 June 2009 as a result of improved working capital management. Total net cash flow generated from operating activities in FY2009 was $13.2m with $11.8m being generated in the second half.

The Group conducted an on-market share buyback between April 2008 and May 2009. A total of 381,237 shares were purchased under the buyback at a weighted average price of $1.05 per share.

The Group also concluded the successful third round offer of its Exempt Employee Share Plan in April 2009. The offer was taken up by 137 eligible employees purchasing $1,000 worth of shares each.

(j) Sustainability and Corporate and Social Responsibility

The Group continues to provide benefits back to the community by supporting national charity partners. In particular we support Challenge through the national sponsorship of the Biggest Aussie Pie Night raising funds for cancer research, Foodbank through donations of food products, Open Family, Reach and the Variety Club. In addition, we provide ongoing support for the Gippsland community via local sporting clubs, educational institutions, special events and groups.

Earnings per share – Consolidated

	2009 Cents	2008 Cents
(a) Basic and diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	8.1	10.0

The Group had a reduction in its earnings per share (EPS) for the year to 8.5 cents after adding back one-off items (8.1 cents reported).

Significant changes in the state of affairs

There was no significant change in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year.

Since 30 June 2009 Patties Foods Limited have :

- announced the planned relocation and integration of the frozen fruit operation at Silverwater NSW into the main manufacturing facility in Bairnsdale. This is planned to occur in the second half of FY2010.
- appointed Mr Christopher Riordan as Chairman of the Board

Except for items discussed above, no other matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Led by newly appointed Chairman Chris Riordan, Patties Foods Limited view the future with confidence. The company has a unique market leading position in frozen branded food products across many retail food categories and continues to build market share in the growing foodservice, catering and petrol and convenience channels. The company now has state-of-the-art production capability to meet increasing consumer demand for savoury and dessert products.

The new management team has already successfully increased the focus on operational excellence, which has driven improved production performance during the second half of FY2009. The continued strong demand across all channels driven by investment in sales and marketing resources and continuation of the new contracts gained in the fourth quarter of FY2009 are expected to provide good earnings growth in the savoury business. In addition, the restructured Chef's Pride/Creative Gourmet production model is expected to provide a lower cost platform for future growth.

With the expected continuing improvement in factory efficiencies, the branded In-Home segment and the Davies bakery business, the continuing growth of the Out-of-Home business and reduced interest expense, we look forward to an improved trading result in FY2010.

Environmental regulation

The Group is a signatory to the National Packaging Covenant. Its sites are all compliant with EPA and other relevant governmental environmental targets and regulations. The Group is subject to environmental regulation in respect of its manufacturing activities as set out below.

In Victoria the Group holds environmental licences for its manufacturing site. These licences require discharges to air and water to be below specified levels of contaminants, and solid wastes to be removed to an appropriate disposal facility. These requirements arise under the Environmental Protection Authority's regulations *Clean Air Act 1961, Clean Waters Act 1970, Pollution Control Act 1970, Noise Control Act 1975 and Waste Minimisation & Management Act 1995.*

In New South Wales the company's premises at Silverwater have licences in respect of trade waste issued by the Sydney Water Corporation.

The Group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007.*

The National *Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Group has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its initial report to the Greenhouse and Energy data Officer by 31 October 2009.

The directors are not aware of any breaches to the environmental requirements and are not aware of any infringement notices or fines being issued during the year.

Information on directors

Gregory J Bourke BBus. CPA MBA AICD
Managing Director.

Experience and expertise

Over 25 years experience in finance and corporate executive roles including 20 years at George Weston Foods Ltd. in Australia and New Zealand, serving as Chief Financial Officer of Don's Smallgoods, Group General Manager of Weston Milling New Zealand and Southern Regions General Manager Weston Milling Australia.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Managing Director.

Member of Remuneration and Nomination committee.

Interests in shares

138,800 ordinary shares in Patties Foods Limited.

Gregory Dhnaram
Independent Non-Executive Director.

Experience and expertise

Currently Chief Executive Officer of Favco Group.

30 years experience with Woolworths Ltd.; including a number of senior positions at both State and National levels.

Extensive experience in buying, marketing, operations, strategic planning and all aspects of retail.

Other current directorships

Non-Executive Director of Citrus Australia Limited.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Member of Audit Risk and Compliance committee.

Interests in shares

None.

Richard C Rijs
Non-Executive Director.

Experience and expertise

Managing Director from 1989 to 2007.

A son of the founders of Patties Foods, joining the business in 1971, working in all aspects of production, packaging, despatch, sales and distribution.

Other current directorships

Davies Bakery (Aust) Pty Ltd.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Interests in shares

11,437,275 ordinary shares in Patties Foods Limited.

Henricus J Rijs
Executive Director.

Experience and expertise

A director since 1989 and Deputy Managing Director since 2005.

A son of the founders of Patties Foods, joining the company in 1972 as an apprentice pastry cook. Extensive experience in the sales, marketing and distribution aspects of the business.

Other current directorships

Davies Bakery (Aust) Pty Ltd.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Interests in shares

8,185,588 ordinary shares in Patties Foods Limited.

J Curt Leonard BMktg & Bus. Admin, MBA
Independent Non-Executive Director.

Experience and expertise

Independent Non-Executive Director since 2003.

Over 31 years experience working with the Mars Group, including General Manager of Mars Confectionery, Managing Director of Uncle Bens and Managing Director of Mars Australia and New Zealand.

Served as President, Asia Pacific of all Mars business and Director of the Managing Board of Mars Incorporated global business.

Other current directorships

Non-Executive Director of Select Harvests Limited (since July 2004). Appointed Chairman 2008.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Member of Audit, Risk and Compliance committee.

Interests in shares

2,061,172 ordinary shares in Patties Foods Limited.

Ernest W Barr BA, Dr. Uni. (h.c)
Independent Non-Executive Director.

Experience and expertise

Independent Non-Executive Director since 1994 and Chairman from 1994 until 2005.

Over 20 years with HJ Heinz Company serving as Chief Executive Officer of Heinz Japan, Heinz Australia and finally Area Director Asia Pacific.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of Remuneration and Nomination committee.

Member of Audit, Risk and Compliance committee.

Acting Chairman.

Interests in shares

3,823,464 ordinary shares in Patties Foods Limited.

Company secretary

Mr Philip Thomas BBUS, MCommLaw, GradDipCSP, FCIS, F.Fin, ASA, AICD was appointed to the position of Company secretary on 5 November 2008.

Mr Thomas has a significant amount of experience in similar roles in other public listed companies.

Ms Bethany Schofield resigned from the position of Company secretary on 5 November 2008.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2009, and the numbers of meetings attended by each director were:

			Meetings of committees			
	Full meetings of directors		Audit, Risk and Compliance		Remuneration and Nomination	
	A	B	A	B	A	B
Peter T Kempen	3	4	1	1	*	*
Michele J Allan	2	2	*	*	*	*
Richard C Rijs	13	13	*	*	2	2
Henricus J Rijs	13	13	*	*	2	2
J Curt Leonard	13	13	3	3	2	2
Ernest W Barr	13	13	3	3	2	2
Gregory J Bourke	5	5	*	*	2	2
Gregory Dhnaram	11	11	1	2	2	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive remuneration is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

The board has established a remuneration and nomination committee to assist the board by providing advice in relation to remuneration packages of key management, Non-Executive Directors and executive directors, equity based incentive plans and other employee benefit programs. The Corporate Governance Statement provides further information on the role of this committee.

All executives receive a base salary (which is based on market competition), superannuation, fringe benefits and performance incentives. The remuneration and nomination committee reviews executive packages annually by reference to the Group performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-Executive Directors' fees and payments are reviewed annually by the board. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The remuneration of the Non-Executive Directors is not calculated as a commission or percentage of profits or operating revenue.

Directors' fees

The Constitution provides that the company may pay directors a maximum total amount of directors' fees determined by the company in the annual general meeting or, until so determined, as the Board resolves.

Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit. The maximum currently stands at $600,000 per annum and was resolved by the board in May 2006. This was approved by the shareholders at the AGM on 21 November 2007.

The Chairman's remuneration is inclusive of additional yearly fees for chairing committees appointed by the board. No fees are paid for committee memberships.

Retirement allowances for directors

There are no retirement benefit schemes for directors, other than statutory superannuation contributions. Some individuals have chosen to sacrifice some of their remuneration to increase payments towards superannuation.

Executive pay

The key management reward structure has three components:

- base salary and benefits, including superannuation;
- short term performance incentives; and
- long term incentives in the form of options and performance rights (not yet commenced).

The combination of these comprises the executive's total remuneration.

Base pay and benefits

Structured as a total remuneration package (TRP) which consists of base salary, superannuation and fringe benefits. Some individuals have chosen to sacrifice some of their pay to increase payments towards superannuation.

Key management personnel are each employed under individual contract agreements, the terms and conditions of which, are comparable to people holding similar positions in similar organisations.

Short-term incentives

As part of their package, executives are entitled to receive a specified percentage of their TRP (10%-14%) by way of a performance linked cash incentive payment. The relevant executive is entitled to receive part or all of the short term incentive as a cash payment incentive if the company achieves certain specified Earnings Before Interest and Tax (EBIT) targets and the executive achieves specified individual performance targets. The total cash incentive is structured to provide sufficient incentive to the executive to achieve the targets set while being reasonable in the circumstances. The company has predetermined benchmarks which must be met in order to trigger any payments under the incentive program. No incentive was paid for the 2009 financial year.

Long-term incentives

A Long Term Incentive Plan (Plan) was approved by the Board of Directors in 2006 prior to the company's listing on ASX. Details of the Plan were contained in the Prospectus.

Under the Plan, the Board has the discretion to grant options or rights to eligible employees to acquire shares in the company subject to such terms and conditions, including vesting conditions (including time and/or performance conditions) and exercise price (in relation to options), as the Board determines in its discretion.

The Board has not yet granted any options or rights under the Plan but is currently reviewing the Plan with a view to grants being made in the near future.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel and specified executives (as defined in AASB 124 *Related Party Disclosures*) of both the Company and the Group are set out in the following tables.

The key management personnel of both the Company and the Group includes the directors as per pages 21 to 23 above and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- M Knaap – Chief Financial Officer
- B Schofield – Former Chief Financial Officer and Company Secretary

In addition, the following persons must be disclosed under the *Corporations Act 2001* as they are among the 5 highest remunerated Group and/or Company executives

- B Hillen – National Retail Sales Manager
- J Munro – Manager GM Engineering and Capital Works

Changes since year end

C Riordan was appointed as Director and Chairman on 7 July 2009.

Remuneration report *(continued)*

Key management personnel and other executives of the Group

2009	Short-term employee benefits		Post-employment benefits	Long-term benefits		
Name	Cash salary and fees $	Non monetary benefits $	Super-annuation $	Long service leave $	Termination benefits $	Total $
Non-Executive Directors						
Peter T Kempen***	38,042	–	5,899	–	–	43,941
J Curt Leonard	–	–	59,950	–	–	59,950
Ernest W Barr – Acting Chairman	99,971	–	–	–	–	99,971
Richard C Rijs	–	14,050	45,900	–	–	59,950
Gregory Dhnaram#	–	–	44,963	–	–	44,963
Sub-total Non-Executive Directors	138,013	14,050	156,712	–	–	308,775
Executive Directors						
Michele J Allan^"**	91,629	–	28,780	–	680,000	800,409
Gregory J Bourke^"#	227,766	–	120,094	–	–	347,860
Henricus J Rijs^"	142,254	9,759	76,077	43,740	–	271,830
Other key management personnel (Group)						
B Schofield****	162,259	1,000	28,178	–	–	191,437
M Knaap*	87,841	–	9,229	–	–	97,070
B Hillen^"	106,143	7,464	98,761	418	–	212,786
J Munro^"	193,395	23,486	31,207	2,326	–	250,414
Total key management personnel compensation (Group)	1,149,300	55,759	549,038	46,484	680,000	2,480,581

^ denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.
" denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.
* Appointed 16 February 2009.
** M Allan resigned as a director on 21 August 2008 and as Chief Executive Officer on 23 September 2008.
*** ceased employment effective 5 November 2008.
**** resigned effective 5 February 2009.
# Appointed 23 September 2008.

2008	Short-term employee benefits		Post-employment benefits	Long-term benefits		
Name	Cash salary and fees $	Non monetary benefits $	Super-annuation $	Long service leave $	Termination benefits $	Total $
Non-Executive Directors						
Peter T Kempen – Chairman	82,500	–	37,400	–	–	119,900
J Curt Leonard	–	–	59,950	–	–	59,950
Ernest W Barr	60,000	–	–	–	–	60,000
Richard Rijs"**	136,828	40,855	35,963	2,976	–	216,622
Sub-total Non-Executive Directors	279,328	40,855	133,313	2,976	–	456,472
Executive Directors						
Michele J Allan*^"	215,833	–	84,962	–	–	300,795
Henricus J Rijs^"	164,115	25,481	32,428	3,065	–	225,089
Other key management personnel (Group)						
B Schofield	143,501	249	31,250	–	–	175,000
M Bartholomew^"***	133,329	18,168	9,886	2,620	132,258	296,261
A Beeson^"****	172,953	24,286	41,268	–	–	238,507
Total key management personnel compensation (Group)	1,109,059	109,039	333,107	8,661	132,258	1,692,124
Other Company and Group executives						
V Crawley^*****	186,499	25,812	14,492	2,737	92,085	321,625
B Hillen	78,054	21,876	92,194	2,702	–	194,826
J Munro	133,880	17,893	27,394	2,794	–	181,961

* the amounts for M Allan who resigned as a director on 21 August 2008 and as Chief Executive Officer on 23 September 2008 include Director's Fees ($21,372).
^ denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.
" denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.
** ceased to be the Managing Director and Chief Executive Officer on 21 November 2007 but remained as a Non-Executive Director.
*** ceased employment effective 19 December 2007.
**** resigned effective 30 March 2008.
***** resigned effective 28 March 2008.

C Service agreements

There are no service agreements with any directors. Key management personnel and other specified executives are employed under the standard terms and conditions of employment of the Group. There is no term on these arrangements, standard notice periods apply and no termination entitlement other than statutory entitlements.

Loans to directors and executives

There are no loans to directors or executives at 30 June 2009 other than loans to executives of up to $1,000 under standard terms of the Group's exempt employee share plan.

Insurance of officers

During the financial year, Patties Foods Limited paid a premium of $46,794 (2008: $49,375) to insure the directors and secretary of the company and the executives of the Group.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

The board of directors has considered the position and, in accordance with advice received from the audit, risk and compliance committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Details of the fees paid or payable for services provided by the auditor of the parent entity and its related practices are set out in note 30.

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 28.

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. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

Ernest W Barr
Director

Melbourne
24 August 2009

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Auditor's Independence Declaration

As lead auditor for the audit of Patties Foods Limited for the year ended 30 June 2009, 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
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
24 August 2009

Corporate Governance Statement

Patties Foods Limited (the Company) and the Board of Directors are committed to achieving the highest level of corporate governance of the Company and its controlled entities (the Group). The Board and management have adopted a set of policies to establish a framework for the Board to discharge its corporate governance responsibilities on behalf of the shareholders. The Groups' Corporate Governance statement is structured with reference to the Corporate Governance Principles and Recommendations (2nd Edition) issued by the Australian Stock Exchange (ASX) Corporate Governance Council, which are as follows:

Principle 1 – Lay solid foundations for management and oversight

Principle 2 – Structure the Board to add value

Principle 3 – Promote ethical and responsible decision making

Principle 4 – Safeguard integrity in financial reporting

Principle 5 – Make timely and balanced disclosure

Principle 6 – Respect the rights of shareholders

Principle 7 – Recognise and manage risk

Principle 8 – Remunerate fairly and responsibly

The Company's corporate governance policies were in place from 1 July 2008 to 30 June 2009 and were fully compliant with the Council's best practice except for Principle 2. The ASX Corporate Governance Council's recommendation is that a majority of the Board should comprise independent directors. At 30 June 2009, the Patties Board consists of three independent directors (Mr. E.W. Barr , Mr. J.C. Leonard, and Mr. G.J. Dhnaram) and three non independent directors, who are considered non independent due to their management roles or former management roles within the Company (Mr. G.J. Bourke, Mr R.C. Rijs and Mr H.J. Rijs) or their significant shareholdings or association with significant shareholdings in the Company (Mr R.C. Rijs and Mr H.J. Rijs). With the appointment of Mr. Christopher Riordan as Chairman on 7 July 2009 the Board now has a majority of independent directors.

The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Company's main corporate governance practices is set out below.

Principle 1 – Lay solid foundations for management and oversight

The Board has developed a charter to provide a framework for the effective operation of the Board. The Board charter sets out specific duties and responsibilities of the Board and includes:

- setting the Group's strategy;
- overall management of general risk;
- responsible for ensuring that the Group has appropriate management expertise;
- assessing the overall performance of the Group's officers;
- ensuring a sufficient level of corporate governance to meet ethical and legislative requirements;
- establishing and monitoring Board committees responsible for key Board responsibilities including the audit and risk committee and the remuneration and nomination committee; and
- performing such other functions as prescribed by law.

Roles of senior management of the Group, including the Managing Director, are clearly set out in employment contracts, position descriptions and key performance indicators (KPIs) against which performance is reviewed at least annually to ensure consistency with strategic and operational plans of the Group. Performance reviews of management have been undertaken.

Principle 2 – Structure the Board to add value

The structure of the Board of Directors

The charter details the Board's responsibilities while the Constitution details the Board's composition.

Board composition

The Board seeks to ensure that the composition of the Board reflects the appropriate range of independence, skills and experience for the Company.

The minimum number of directors is three and the maximum number is ten. Directors will be elected at annual general meetings of the Company.

The Managing Director will not retire by rotation. Provided that the Company has three or more directors, one third of the directors (rounded down to the nearest whole number) will retire at each annual general meeting. In any case, no director may retain office for more than three years or beyond the third annual general meeting, following the director's last election or appointment, whichever is the longer period. In each case, if the retiring director is eligible, they may then seek re-election.

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the directors' report under the heading ''Information on directors''. There are four Non-Executive Directors, three of whom are deemed independent under the principles set out below, and two executive directors at the date of signing the directors' report.

Directors' independence

Each member of the Board is required to apply independent judgement to decision making in their capacity as a director.

A Non-Executive Director will be deemed to be independent by the Board if no relationship exists between the director and Patties Foods Limited that may interfere with the exercise of their independent judgement. In the context of director independence, 'materiality' is considered from both the Company and the individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to, or less than, 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

As discussed above, Mr G.J. Bourke, Mr R.C. Rijs and Mr H.J. Rijs are not considered to be independent directors due to their current or former executive roles or significant shareholdings or association with significant shareholdings.

Independent professional advice

The Board and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

Term of office

The Company's Constitution specifies that all Non-Executive Directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election. The Managing Director will not retire by rotation.

Chairman and Managing Director (MD)

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. The Chairman is an independent director.

The Managing Director is responsible for implementing Group strategies and policies. These are separate roles undertaken by separate people.

Where considered appropriate, Non-Executive members of the Board may meet to discuss issues affecting the Company, facilitated by the independent Chairman, without management being present.

Commitment

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2009, and the number of meetings attended by each director is disclosed on page 23.

The commitments of Non-Executive Directors are considered by the remuneration and nomination committee prior to the directors' appointment to the Board of the Company and are reviewed each year as part of the annual performance assessment.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current Committees of the Board are the remuneration and nomination committee and audit, risk and compliance committee. Each is comprised of a majority of independent Non-Executive Directors and is chaired by an independent director. Committee members are appointed for a three year term of office, after which their appointment may be subject to annual rotation at the discretion of the Board.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Other committees may be established by the Board as and when required. Membership of the Board committees will be based on the needs of Patties Foods, relevant legislative and other requirements and the skills and experience of individual directors. Committee members appointment and rotation will be in line with existing committees and at the discretion of the Board.

Nomination Committee

The nomination committee consists of the following directors with the majority being Non-Executive:

Ernest W Barr (Chairman)
J Curt Leonard
Richard .C. Rijs
Harry J. Rijs
Gregory. J. Dhnaram
Gregory J. Bourke

Details of these directors' attendance at remuneration and nomination committee meetings are set out in the directors' report on page 23.

The nomination committee operates in accordance with a charter. The main responsibilities of the committee are to:

- conduct an annual review of the membership of the board having regard to present and future needs of the company and to make recommendations on board composition and appointments;
- conduct an annual review of and conclude on the independence of each director;
- propose candidates for board vacancies;
- oversee the annual performance assessment program;
- oversee board succession including the succession of the Chair; and
- assess the effectiveness of the induction process.

When a new director is to be appointed the committee reviews the range of skills, experience and expertise on the board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the company. The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the company and the current and future needs of the board and company. The board and the committee are also aware of the advantages of board renewal and succession planning.

Board Performance

The Board is putting processes in place to provide regular assessment and reporting of the performance of the Board, Board committees, individual directors and the Managing Director. As a result of the significant changes to the board during FY2009 the Board will commence conducting a review in FY2010 of its effectiveness and the effectiveness of the Board committees and individual directors on an annual basis.

Following each review:

- the performance of individual directors will be discussed by the Chairman with each director (and in the case of the Chairman, by a director chosen by the Board for the purpose), and
- the performance of the Board and Board committees will be discussed by the Board at its next meeting after the conclusion of the review.

A review in relation to performance for the year ended 30 June 2009 will take place during the next financial year.

Principle 3 – Promote ethical and responsible decision making

Code of Conduct

The Company has a Code of Conduct and Ethics policy (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that each director, manager and employee of the Company, at all times, act with the utmost honesty, integrity and responsibility in their dealings with clients, suppliers and competitors and other employees.

The Board, management and all employees of the Company are committed to complying with the Code. It is the responsibility of each individual to comply with the Code and each person will be accountable for such compliance. Where an employee is concerned that there has been a violation of the Code, it can be reported in good faith to management. A record of such reports will be kept by the Company.

Securities trading

The purchase and sale of company securities by directors and senior management is only permitted during the thirty day period following the release of the half-yearly and annual financial results to the market and the close of the Annual General Meeting. Any transactions undertaken must be notified to the Company Secretary or the Chief Financial Officer in advance.

The Company endeavours to ensure all employees are fully aware of their obligations with regard to trading in shares, in particular, the restriction on trading while in possession of price sensitive, non-public information about the Company. Every current and new employee receives a document which outlines these obligations.

The Board recognises that it is the individual responsibility of each director, officer and employee to ensure that they comply with the spirit and letter of the insider trading laws.

Share trading by directors is promptly notified to the ASX.

Principle 4 – Safeguard integrity in financial reporting

Managing Director and Chief Financial Officer statement

The Managing Director and the Chief Financial Officer have provided a written statement to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition, and operational results are in accordance with relevant accounting standards.

Audit, risk and compliance committee

The audit, risk and compliance committee has been established to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the external audit process.

The audit, risk and compliance committee operates in accordance with a charter.

The committee has a minimum of three Non-Executive Directors, with the majority being independent. The audit, risk and compliance committee consists of the following Non-Executive Directors:

Ernest W Barr (Chairman)
J Curt Leonard
Gregory. J. Dhnaram

Details of these directors' qualifications and attendance at audit, risk and compliance committee meetings are set out in the directors' report on pages 21 to 23. The Chairman of the committee is the Acting Chairman of the Board at 30 June 2009.

All members of the audit committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The main responsibilities of the committee are to:

- have overall control over external statutory financial reporting;
- assess accounting, financial and reporting controls;
- appoint external auditors, determine the scope of the external audit, and approve additional non-audit services to be provided by the external auditor and to assess the external auditor;
- oversee the effective operation of the risk management framework;
- monitor and review the propriety of any related party transactions; and
- ensure compliance with laws and regulations.

In fulfilling its responsibilities, the audit, risk and compliance committee receives regular reports from management and meets with the external auditors at least once a year, or more frequently if necessary.

At the discretion of the committee, internal specialists or external advisors may be invited to the audit, risk and compliance committee meetings. The committee meets at least two times a year and additionally if required for it to undertake its role effectively.

The Company and audit, risk and compliance committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers was appointed as the external auditor in 2003. In accordance with the *Corporations Act 2001*, PricewaterhouseCoopers will rotate audit engagement partners on listed companies at least every five years, and a new audit engagement partner has been introduced for the year ended 30 June 2009.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the director's report and in note 30 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

Principle 5 – Make timely and balanced disclosure

Continuous disclosure and shareholder communication

The Company has adopted a continuous disclosure policy so as to comply with its continuous disclosure obligations. The aims of the policy is to:

- ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and Listing Rules;
- provide shareholders and the market with timely, direct and equal access to information issued by the Company; and
- promote investor confidence in the integrity of the Company and its securities.

The continuous disclosure policy requires the Company to immediately notify the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
- that would, or would be likely to, influence persons who commonly invest in shares in deciding whether to acquire or dispose of the Company's shares.

The only exception to this is where the ASX Listing Rules do not require such information to be disclosed.

The Company Secretary is responsible for overseeing, and if appropriate, coordinating the disclosure of price sensitive information relating to the shares to the ASX.

Principle 6 – Respect the rights of shareholders

The continuous disclosure policy described above provides shareholders and the market with timely, direct and equal access to information issued by the Company and is designed to promote investor confidence in the integrity of the Company and its securities.

The Board has nominated the Managing Director or the Chairman to speak to the media on matters associated with the Company. The Board approves and monitors internal and external financial and other reporting to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's web-site as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders may elect to receive a copy of the Company's annual reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. The Company is committed to making all Company announcements, media and analyst briefings, details of Company meetings, press releases for the last three years and financial reports available on the Company's website, including the chairman's address, speeches and voting results of the Company's Annual General meeting.

The external auditor attends the Annual General meeting and is available to answer shareholder questions about:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Principle 7 – Recognise and manage risk

Risk management and assessment

The Board, through the audit, risk and compliance committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company policies are designed to ensure material strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

The Board's risk management principles are designed to:

- identify, assess and prioritise the major risks associated with the Company's key values and corporate goals as set out in the Strategic Plan;
- identify material operational risks and determine risk mitigation strategies, action plans and responsibilities to address these; and
- identify financial risks which may include fraudulent activities, the risk of financial loss caused by the loss of the business of a key customer and credit risk arising from non payment by a customer.

The Board is responsible for approving the Company's risk management strategy and policies. Executive management is responsible for the implementation of the risk management strategy and for developing policies, processes and procedures to identify and manage risk. Executive management have provided a risk review and findings report to the Board which highlights the effectiveness of controls and procedures in place to manage its material business risk.

As described under Principle 4 above, the Managing Director and Chief Financial Officer have provided a declaration under section 295A of the Corporations Act to the Board. The Board is satisfied that this declaration is made based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

Remuneration and nomination committee

The remuneration and nomination committee consists of the following directors with the majority being Non-Executive:

Ernest W Barr (Chairman)
J Curt Leonard
Richard. C. Rijs
Harry J. Rijs
Gregory J. Dhnaram
Gregory J. Bourke

Details of these directors' attendance at remuneration and nomination committee meetings are set out in the directors' report on page 23.

The remuneration and nomination committee operates in accordance with a charter. The main responsibilities of the committee are to:

- provide advice in relation to remuneration packages of key management, Non-Executive Directors and executive directors, equity-based incentive plans and other employee benefit programs;
- ensure the performance of key management and members of the Board is reviewed at least annually;
- review the Company's recruitment, retention and termination policies as well as succession plans of key management and executives;
- review the Company's superannuation arrangements;
- recommend individuals for nomination as members of the Board and its committees; and
- consider those aspects of the Company remuneration policies and packages, including equity based incentives, which should be subject to shareholder approval.

The committee has a minimum of three directors, with the majority being Non-Executive.

At the discretion of the committee, internal specialists or external advisors may be invited to remuneration and nomination committee meetings. The committee meets at least two times a year and additionally as required for it to undertake its role effectively.

Retirement allowances for Directors

As detailed in the Remuneration Report, there are no retirement benefit schemes in place for directors other than statutory superannuation contributions.

Income Statements

for the year ended 30 June 2009

		Consolidated		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue from continuing operations					
Sale of goods	5	178,363	163,008	150,882	134,955
Other revenue from ordinary activities	5	850	942	820	903
		179,213	**163,950**	**151,702**	**135,858**
Other income	6	(46)	365	(47)	360
Expenses					
Cost of sales of goods		(110,898)	(99,083)	(91,256)	(80,720)
Other expenses from ordinary activities					
Distribution		(17,790)	(13,824)	(15,630)	(11,865)
Sales and Marketing		(19,300)	(18,864)	(18,259)	(16,578)
Administration		(10,101)	(8,785)	(9,816)	(7,709)
Other		(713)	(585)	(595)	(585)
Finance costs	7	(5,184)	(4,187)	(5,172)	(4,180)
Share of net profits/(losses) of associated companies accounted for using the equity method		88	(488)	–	–
Profit before income tax		15,269	18,499	10,927	14,581
Income tax expense	8	(4,007)	(4,653)	(2,808)	(3,338)
Profit from continuing operations		11,262	13,846	8,119	11,243
Profit is attributable to:					
Equity holders of Patties Foods Limited		11,262	13,846	8,119	11,243
		11,262	**13,846**	**8,119**	**11,243**

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share	36	8.1	10.0

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

As at 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Assets					
Current assets					
Cash and cash equivalents	9	1,155	2,098	1,142	1,423
Receivables	10	36,727	32,081	36,726	30,108
Inventories	11	19,540	17,925	16,762	11,240
Current tax receivables	12	1,366	–	2,223	–
Total current assets		**58,788**	**52,104**	**56,853**	**42,771**
Non-current assets					
Investments accounted for using the equity method	13	8,049	7,961	–	–
Other financial assets	14	–	–	34,575	34,575
Property, plant and equipment	15	61,977	62,451	60,777	61,100
Intangible assets	17	78,905	79,366	56,520	56,788
Total non-current assets		**148,931**	**149,778**	**151,872**	**152,463**
Total assets		**207,719**	**201,882**	**208,725**	**195,234**
Liabilities					
Current liabilities					
Payables	18	17,058	13,481	24,326	10,506
Borrowings	19	2,349	9,527	2,320	9,495
Derivative financial instruments	20	266	–	266	–
Provisions	21	2,969	2,764	2,773	2,594
Current tax liabilities	22	–	1,131	–	575
Total current liabilities		**22,642**	**26,903**	**29,685**	**23,170**
Non-current liabilities					
Borrowings	23	68,178	61,150	68,120	61,054
Deferred tax liabilities	16,24	4,920	4,488	4,763	4,336
Provisions	25	579	100	524	57
Derivative financial instruments	20	311	–	311	–
Total non-current liabilities		**73,988**	**65,738**	**73,718**	**65,447**
Total liabilities		**96,630**	**92,641**	**103,403**	**88,617**
Net assets		**111,089**	**109,241**	**105,322**	**106,617**
Equity					
Contributed equity	26	68,194	68,269	68,194	68,269
Reserves	27(a)	(317)	–	(317)	–
Retained profits	27(b)	43,212	40,972	37,445	38,348
Total equity		**111,089**	**109,241**	**105,322**	**106,617**

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the year ended 30 June 2009

		Consolidated		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total equity at the beginning of the financial year		**109,241**	**105,415**	**106,617**	**105,394**
Changes in the fair value of cash flow hedges, net of tax	27	(317)	305	(317)	305
Profit for the year		11,262	13,846	8,119	11,243
Total recognised income and expense for the year		**10,945**	**14,151**	**7,802**	**11,548**
On market share buy back	26	(214)	(330)	(214)	(330)
Employee share scheme issue	26	139	146	139	146
Selective buy back of shares from the Rijs Family trust (via Bairnsdale Services Pty Ltd)	26	–	(32,879)	–	(32,879)
Issue of shares to Rijs Family Trust beneficiaries (Bairnsdale Services Pty Ltd shareholders)	26	–	32,879	–	32,879
Transaction costs of Rijs Family Trust shareholding restructure	26	–	(130)	–	(130)
Dividends provided for or paid	28	(9,022)	(10,011)	(9,022)	(10,011)
		(9,097)	(10,325)	(9,097)	(10,325)
Total equity at the end of the financial year		**111,089**	**109,241**	**105,322**	**106,617**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

for the year ended 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		190,535	182,110	158,596	150,785
Payments to suppliers and employees (inclusive of goods and services tax)		(166,159)	(154,629)	(134,473)	(124,805)
		24,376	27,481	24,123	25,980
Income tax paid		(5,940)	(5,043)	(5,048)	(4,317)
Borrowing costs paid		(5,195)	(4,277)	(5,183)	(4,222)
Net cash inflow from operating activities	**35**	**13,241**	**18,161**	**13,892**	**17,441**
Cash flows from investing activities					
Payment for purchase of subsidiaries, net of cash acquired		–	(350)	–	(350)
Payments for property, plant and equipment	15	(5,175)	(21,340)	(5,129)	(21,028)
Payments for investments		–	(3,114)	–	(3,114)
Proceeds from sale of property, plant and equipment		41	–	–	–
Loans paid/(repaid) by related parties	32(g)	–	93	–	93
Interest received		193	228	162	189
Net cash (outflow) from investing activities		**(4,941)**	**(24,483)**	**(4,967)**	**(24,210)**
Cash flows from financing activities					
Proceeds from issues of ordinary shares and other equity securities		–	146	–	146
Payments for shares bought back		(72)	(330)	(75)	(330)
Proceeds from borrowings		9,635	17,571	9,635	17,318
Share issue and buy-back transaction costs		–	(130)	–	(130)
Repayment of borrowings		(9,784)	(1,782)	(9,744)	(1,656)
Hedging reserve		–	305	–	305
Dividends paid to company's shareholders	28	(9,022)	(10,011)	(9,022)	(10,011)
Net cash (outflow) inflow from financing activities		**(9,243)**	**5,769**	**(9,206)**	**5,642**
Net (decrease) in cash and cash equivalents		(943)	(553)	(281)	(1,127)
Cash and cash equivalents at the beginning of the financial year		2,098	2,651	1,423	2,550
Cash and cash equivalents at end of year	**9**	**1,155**	**2,098**	**1,142**	**1,423**

The above cash flow statements should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Patties Foods Limited as an individual entity and the consolidated entity consisting of Patties Foods Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial report of Patties Foods Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2009 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 34).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

1 Summary of significant accounting policies *(continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Patties Foods Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) Sale of goods

Revenue from the sale of goods is recognised when goods have been delivered to the customer, the customer has accepted the goods and collectability of the related receivables is probable.

(ii) Interest income

Interest income is recognised on a time proportion basis taking into account the interest rates applicable to the financial assets.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Caravan Park income

The company obtains income from the operation of a caravan park business. Revenue from the caravan park is recognised upon the delivery of the rental service to the customer.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all conditions or other contingencies attached to the grant.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Management have determined that deferred tax assets and deferred tax liabilities associated with indefinite lived intangibles (note 1(q)) should be measured using the tax consequences that would follow from the sale of that asset. This is on the basis that these assets are not depreciated and therefore the carrying amount of the asset reflects the value recoverable from the sale of the asset.

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

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

Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian tax law. Patties Foods Limited is the head entity in the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 15). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement in other expenses.

(m) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of first-in first-out. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Investments and other financial assets

Classification

Management determines the classification of its investments at initial recognition depending upon the purpose for which the investments were acquired. The following classifications are used:

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor or other party with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 10).

Impairment

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement in other expenses.

1 Summary of significant accounting policies *(continued)*

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently the Group only has derivatives designated as cash flow hedge which are hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 20. Movements in the hedging reserve in shareholders' equity are shown in note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line or diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

– Buildings	2.5%
– Plant and equipment	10% – 37.5%
– Leased plant	10% – 18.75%
– Equipment held at third parties	10% – 33.33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is tested for impairment in accordance with note 1(j).

(ii) Brand names

Brand names have been assessed by the directors as having indefinite useful lives. This is based on an analysis of product life cycle studies and market and competitive trends which provides evidence that the products will generate net cash inflows for the company for an indefinite period. Therefore, the brand is carried at cost without amortisation, but is tested for impairment in accordance with note 1(j).

(iii) Non-compete covenants

Non-compete covenants acquired as part of a business combination are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives of the contracts. This is usually 4 years.

(iv) Trademarks

Trademarks are inextricably linked with brand names which have been assessed by the directors as having indefinite useful lives. The trademarks are also considered to have an indefinite life. Therefore, the trademarks are carried at cost without amortisation and are tested for impairment in accordance with note 1(j).

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing costs

Borrowing costs are expensed as incurred.

Borrowing costs include interest on bank bills, hire purchase charges, and establishment costs associated with raising long-term borrowings.

(u) Provisions

Provisions for claims, discounts, rebates and allowances are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on commonwealth government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(w) Contributed equity

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled.

No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(x) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date. Dividends declared but not distributed at 30 June 2009 were nil (2008: nil).

1 Summary of significant accounting policies *(continued)*

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share for the Group.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(aa) 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments and* AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs and* AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) AASB-I 13 *Customer Loyalty Programmes*

AASB-I 13 is applicable to annual reporting periods commencing on or after 1 July 2008. It provides guidance on the accounting for customer loyalty programmes and requires that the fair value of the consideration received/receivable in respect of a sale transaction is allocated between the award credits and the other components of the sale. The Group does not operate any customer loyalty programmes. AASB-I 13 will therefore have no impact on the Group's financial statements.

(iv) Revised AASB 101 *Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. Application of the revised standard will not affect any of the amounts recognised in the financial statements but will remove some of the disclosures currently required.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Where utilised, derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by management under a framework approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group and parent entity are exposed to foreign exchange risk arising from various currency exposures, including US dollar, Euro and NZ dollar.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. These commercial transactions relate to the procurement of raw materials, finished goods and items of plant and equipment. Export sales represent less than 1% of the Group's sales revenue and therefore are not recognised as a source of foreign exchange risk.

Management determined that some specific hedges were required for FY2008 and FY2009 for purchases of specific items of plant and equipment and commodity based raw material inputs. The Group's risk management policy, as provided by the Board of Directors, includes a requirement to hedge approximately 50% of the identifiable foreign exchange requirements to provide some certainty in its cost of raw materials. No other hedging activities took place as the exposure was immaterial to the group's overall result. Management will continue to review this exposure and take actions to hedge exposure if deemed appropriate.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2009			30 June 2008		
	USD $'000	NZD $'000	EUR $'000	USD $'000	NZD $'000	EUR $'000
Trade payables	(671)	(158)	–	(133)	(34)	–
Forward exchange contracts						
– buy foreign currency (cash flow hedges)	1,600	–	–	–	–	–
– buy foreign currency (held for trading)	553	–	237	–	–	–
Net exposure	1,482	(158)	237	(133)	(34)	–

The Parent's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2009			30 June 2008		
	USD $'000	NZD $'000	EUR $'000	USD $'000	NZD $'000	EUR $'000
Trade payables	–	(158)	–	(133)	(34)	–
Forward exchange contracts						
– buy foreign currency (cash flow hedges)	1,600	–	–	–	–	–
– buy foreign currency (held for trading)	553	–	237	–	–	–
Net exposure	2,153	(158)	237	(133)	(34)	–

The market risk due to foreign exchange movements is not material in terms of the possible impact on profit or loss or total equity.

2 Financial risk management *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group policy is to maintain approximately 50% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2009 and 2008, the Group's borrowings were at both fixed and variable rates and were denominated in Australian Dollars. During 2009, the Group's variable interest rate was based on BBSY and a margin.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2009 Balance $'000	30 June 2008 Balance $'000
Bank overdrafts and bank bills	70,135	37,000
Other secured finance	–	8,640
Interest rate swaps (notional principal amount)	(35,000)	–
Net exposure to cash flow interest rate risk	**35,135**	**45,640**

Group sensitivity

At 30 June 2009, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $246,000 lower/higher (2008 – $251,000 lower/higher), mainly as a result of higher/lower interest expense from variable rate borrowings.

Company sensitivity

The Company's sensitivity to interest rate risk would have been the same as the Group's (above).

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Compliance with credit limits by customers is regularly monitored by line management.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping credit lines available with a variety of counterparties.

Financing arrangements

The Group and the Company had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
– Expiring beyond one year	10,458	4,628	10,458	4,628

The undrawn facilities may be drawn at any time and are subject to bi-annual review.

Maturities of financial liabilities

The tables below analyse the Group's and Company's financial liabilities and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

Group – At 30 June 2009	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives				
Non-interest bearing	18,057	–	18,057	18,057
Variable rate*	6,096	70,033	76,129	70,135
Fixed rate	279	178	457	392
Total non-derivatives	**24,432**	**70,211**	**94,643**	**88,584**
Derivatives				
Interest rate swaps				
– net settled	(70)	(241)	(311)	(311)
Forward foreign exchange contracts				
– (inflow)	(3,378)	–	(3,378)	–
– outflow	3,112	–	3,112	–
Total	(266)	–	(266)	(266)
Total derivatives	**(366)**	**(241)**	**(577)**	**(577)**

Group – At 30 June 2008	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives				
Non-interest bearing	14,612	–	14,612	14,612
Variable rate*	8,640	37,650	46,290	46,290
Fixed rate	24,462	734	25,196	25,037
Total non-derivatives	**47,714**	**38,384**	**86,098**	**85,939**

* Management have arrived at the contractual cash flows for variable rate non-derivatives, based on budgeted variable interest rates.

2 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Maturities of financial liabilities(continued)

Parent – At 30 June 2009	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives				
Non-interest bearing	14,803	–	14,803	14,803
Variable rate*	6,096	70,033	76,129	70,135
Fixed rate	243	106	349	305
Total non-derivatives	**21,142**	**70,139**	**91,281**	**85,243**
Derivatives **Interest rate swaps**				
net settled	(70)	(241)	(311)	(311)
Forward foreign exchange contracts				
– (inflow)	(3,378)	–	(3,378)	–
– outflow	3,112	–	3,112	(266)
Total	(266)	–	(266)	(266)
Total derivatives	**(336)**	**(241)**	**(577)**	**(577)**

Parent – At 30 June 2008	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives				
Non-interest bearing	11,081	–	11,081	11,081
Variable rate*	8,640	37,554	46,194	46,194
Fixed rate	24,422	616	25,038	24,909
Total non-derivatives	**44,143**	**38,170**	**82,313**	**82,184**

* Management have arrived at the contractual cash flows for variable rate non-derivatives, based on budgeted variable interest rates.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill and indefinite lived intangibles

The Group tests annually or more frequently if events or changes in circumstances indicate that it might be impaired, whether goodwill and indefinite lived intangibles have suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of cash-generating units have been determined based on the higher of an assets fair value less costs to sell and value-in-use. These calculations require the use of assumptions. Refer to note 17 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes, in particular, research and development. The Group recognises liabilities for anticipated tax issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) to differ by 20% from management's estimates,the Group would need to:

- increase the income tax liability by $22,500 and the income tax expense by $22,500 if unfavourable; or
- decrease the income tax liability by $22,500 and the income tax expense by $22,500 if favourable.

(iii)Indefinite lived intangibles

Management have determined that deferred tax assets and deferred tax liabilities associated with indefinite lived intangibles should be measured using the tax consequences that would follow from the sale of that asset. This is on the basis that these assets are not depreciated and therefore the carrying amount of the asset reflects the value recoverable from the sale of the asset.

Should this assumption change and management determine that the carrying value is greater than the value recoverable from sale, and record an impairment charge, there will be an associated change in the value of the deferred tax assets and tax liabilities which would be taken through that year's earnings.

4 Segment information

Business segments

The economic entity operated predominantly in one business and geographical segment during the year, being the manufacture and marketing of frozen food products throughout Australia.

5 Revenue

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
From continuing operations				
Sales revenue				
Sale of goods	178,363	163,008	150,882	134,955
Other revenue				
Interest	192	228	162	189
Caravan Park revenue	658	714	658	714
	850	942	820	903
	179,213	**163,950**	**151,702**	**135,858**

6 Other income

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Government grants (a)	(68)	249	(68)	249
Royalties	53	56	53	56
Sundry	(31)	60	(32)	55
	(46)	**365**	**(47)**	**360**

(a) Government grants

Regional development and environmental grants of $45,369 (2008: $249,414) were recognised as other income by the Company during the financial year. Development grants accrued as at 30 June 2008 of $113,102 had unfulfilled conditions during the financial year and were written back. The Group did not benefit from any other forms of government assistance.

7 Expenses

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	934	594	934	594
Property, plant and equipment	4,656	3,577	4,519	3,380
Total depreciation	**5,590**	**4,171**	**5,453**	**3,974**
Amortisation				
Intangible assets	461	261	268	261
Total amortisation	**461**	**261**	**268**	**261**
Employee benefits expense	33,222	28,941	31,176	26,581
Finance costs				
Interest and finance charges paid/payable	5,184	4,187	5,172	4,180
Rental expense relating to operating leases				
Minimum lease payments	2,166	2,246	1,839	1,929
Net loss on foreign currency derivatives not qualifying as hedges	124	–	124	–
Research and development	432	627	410	624
Impairment losses – financial assets				
Trade receivables	34	6	34	6
One-off items				
Charge to provision for non-recoverable receivable	–	470	–	470
Management restructuring costs	764	374	764	374
Transaction costs	–	141	–	141
Share of loss of associate accounted for using the equity method	–	481	–	481

8 Income tax expense

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
(a) Income tax expense				
Current tax	3,586	4,579	2,244	3,433
Deferred tax	432	1,078	427	885
Over/(under) provision of tax in prior periods	(11)	(1,004)	137	(980)
	4,007	4,653	2,808	3,338
Deferred income tax expense included in income tax expense comprises:				
(Increase) decrease in deferred tax assets (note 16)	203	484	220	451
Increase in deferred tax liabilities (note 24)	229	594	207	434
	432	**1,078**	**427**	**885**
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	15,269	18,499	10,927	14,581
Tax at the Australian tax rate of 30% (2008 – 30%)	4,581	5,550	3,278	4,374
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	29	22	29	16
Share of net profit of associates	(26)	147	–	–
Research and Development	(113)	(113)	(113)	(113)
Capital Allowances	(189)	–	(189)	–
Sundry items	(111)	51	(181)	41
	4,171	5,657	2,824	4,318
Adjustment for current tax of prior periods	(11)	(1,004)	137	(980)
Adjustments for deferred tax of prior periods	(153)	–	(153)	–
	(164)	(1,004)	(16)	(980)
Total income tax expense	**4,007**	**4,653**	**2,808**	**3,338**
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited (credited) directly to equity (notes 16 and 24)	(93)	–	(93)	–

(d) Tax consolidation legislation

Patties Foods Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2007. The accounting policy in relation to this legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, limits the joint and several liability of the entities in the tax consolidated group in the case of a default by the head entity, Patties Foods Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Patties Foods Limited for any current tax payable assumed and are compensated by Patties Foods Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Patties Foods Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the entities in the tax consolidated groups' financial statements.

9 Current assets – Cash and cash equivalents

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash in hand	2	34	2	6
Cash at bank	1,153	2,064	1,140	1,417
	1,155	**2,098**	**1,142**	**1,423**

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Balances as above	1,155	2,098	1,142	1,423
Balances per statement of cash flows	**1,155**	**2,098**	**1,142**	**1,423**

(b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

(c) Cash in hand

These are non-interest bearing.

(d) Cash at bank

The average effective interest rate on short term bank deposits was 3.86% (2008 – 6.75%).

10 Current assets – Receivables

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Trade receivables	43,794	35,682	43,794	33,014
Provision for claims, discounts, rebates and allowances	(8,416)	(5,280)	(8,416)	(4,998)
Provision for doubtful receivables	(23)	(469)	(23)	(469)
	35,355	**29,933**	**35,355**	**27,547**
Loan to related party	–	–	–	469
	–	**–**	**–**	**469**
Net other receivables				
Other receivables	274	307	273	307
Employee share purchase loans	144	113	144	113
	418	**420**	**417**	**420**
Prepayments	954	1,728	954	1,672
	36,727	**32,081**	**36,726**	**30,108**

(a) Credit risk

The aging of the Group and Company's trade receivables at the reporting date was:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Not past due	39,653	31,774	39,653	30,159
Past due 1 – 30 days	841	894	841	59
Past due 31 – 60 days	1,646	1,202	1,646	1,139
Past due 60+ days	1,654	1,811	1,654	1,657
	43,794	**35,681**	**43,794**	**33,014**

As of 30 June 2009, a trade receivable of $22,518 (2008 – $464,318) was impaired.

The maximum exposure to credit risk for trade receivables at the reporting date is the carrying amount of each class mentioned above.

Movements in the provision for doubtful receivables are as follows:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1 July	469	18	469	14
Provision for doubtful receivables recognised during the year	34	455	34	455
Receivables written off during the year as uncollectible	(480)	(4)	(480)	–
	23	**469**	**23**	**469**

The other classes within trade and other receivables do not contain impaired assets and are not past due (note 2(b)).

Based on the credit history of other receivables, these amounts are expected to be received when due.

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(c) Effective interest rates and credit risk

None of the items in this note are interest bearing so there is no interest rate risk. Credit risk of current receivables is set out in note 2.

(d) Fair value

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

11 Current assets – Inventories

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Raw materials and stores				
– at cost	8,016	7,325	5,440	3,600
Finished goods				
– at cost	10,160	9,539	9,958	6,579
Other inventories				
– at cost	141	186	141	186
Spare parts				
– at net realisable value	1,223	875	1,223	875
	19,540	**17,925**	**16,762**	**11,240**

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2009 amounted to $83,257,803 (2008: $68,978,971).
Inventories written down to net realisable value during the year ended 30 June 2009 amounted to $195,857 (2008: $542,322).

12 Current assets – Current tax receivables

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Current tax receivable	1,366	–	2,223	–

13 Non-current assets – Investments accounted for using the equity method

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Investment in associates (note 34)	8,049	7,961	–	–

(a) Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

14 Non-current assets – Other financial assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Investments in subsidiaries (note 33)	–	–	26,126	26,126
Investments in associates (note 34)	–	–	8,449	8,449
	–	**–**	**34,575**	**34,575**

These financial assets are carried at cost.

15 Non-current assets – Property, plant and equipment

Consolidated	Construction in progress $'000	Land and buildings $'000	Plant and equipment $'000	Leased plant & equipment $'000	Equipment held at 3rd parties $'000	Total $'000
At 1 July 2007						
Cost or fair value	5,545	17,190	40,275	752	2,732	66,494
Accumulated depreciation	–	(997)	(17,317)	(149)	(1,813)	(20,276)
Net book amount	**5,545**	**16,193**	**22,958**	**603**	**919**	**46,218**
Year ended 30 June 2008						
Opening net book amount	5,545	16,193	22,958	603	919	46,218
Additions	17,609	3	3,241	–	487	21,340
Transfers	(68)	–	(1,490)	622	–	(936)
Depreciation charge	–	(594)	(3,165)	(180)	(232)	(4,171)
Closing net book amount	**23,086**	**15,602**	**21,544**	**1,045**	**1,174**	**62,451**
At 30 June 2008						
Cost or fair value	23,086	17,192	41,764	1,374	3,219	86,635
Accumulated depreciation	–	(1,590)	(20,220)	(329)	(2,045)	(24,184)
Net book amount	**23,086**	**15,602**	**21,544**	**1,045**	**1,174**	**62,451**
Year ended 30 June 2009						
Opening net book amount	23,086	15,602	21,544	1,045	1,174	62,451
Additions	250	934	2,510	–	1,481	5,175
Disposals	–	–	(59)	–	–	(59)
Transfers	(23,086)	7,759	15,216	111	–	–
Depreciation charge	–	(934)	(3,948)	(189)	(519)	(5,590)
Closing net book amount	**250**	**23,361**	**35,263**	**967**	**2,136**	**61,977**
At 30 June 2009						
Cost or fair value	250	25,886	59,301	1,520	4,700	91,657
Accumulated depreciation	–	(2,525)	(24,038)	(553)	(2,564)	(29,680)
Net book amount	**250**	**23,361**	**35,263**	**967**	**2,136**	**61,977**

15 Non-current assets – Property, plant and equipment *(continued)*

Parent	Construction in progress $'000	Land and buildings $'000	Plant and equipment $'000	Leased plant & equipment $'000	Equipment held at 3rd parties $'000	Total $'000
At 1 July 2007						
Cost or fair value	5,477	17,190	39,019	752	2,732	65,170
Accumulated depreciation	–	(997)	(17,297)	(149)	(1,813)	(20,256)
Net book amount	**5,477**	**16,193**	**21,722**	**603**	**919**	**44,914**
Year ended 30 June 2008						
Opening net book amount	5,477	16,193	21,722	603	919	44,914
Additions	17,609	3	2,929	–	487	21,028
Transfers	–	–	(1,490)	622	–	(868)
Depreciation charge	–	(594)	(2,968)	(180)	(232)	(3,974)
Closing net book amount	**23,086**	**15,602**	**20,193**	**1,045**	**1,174**	**61,100**
At 30 June 2008						
Cost or fair value	23,086	17,192	40,395	1,374	3,219	85,266
Accumulated depreciation	–	(1,590)	(20,202)	(329)	(2,045)	(24,166)
Net book amount	**23,086**	**15,602**	**20,193**	**1,045**	**1,174**	**61,100**
Year ended 30 June 2009						
Opening net book amount	23,086	15,602	20,193	1,045	1,174	61,100
Additions	250	934	2,465	–	1,481	5,130
Transfers	(23,086)	7,759	15,327	–	–	–
Depreciation charge	–	(934)	(3,827)	(173)	(519)	(5,453)
Closing net book amount	**250**	**23,361**	**34,158**	**872**	**2,136**	**60,777**
At 30 June 2009						
Cost or fair value	250	25,886	58,187	1,374	4,700	90,397
Accumulated depreciation	–	(2,525)	(24,029)	(502)	(2,564)	(29,620)
Net book amount	**250**	**23,361**	**34,158**	**872**	**2,136**	**60,777**

16 Non-current assets – Deferred tax assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
The balance comprises temporary differences attributable to:				
Employee benefits	1,064	898	989	834
Fixed assets	334	401	334	401
Capitalised transaction costs	1,165	1,549	1,165	1,549
Cash flow hedges	93	–	93	–
	2,656	**2,848**	**2,581**	**2,784**
Other				
Doubtful Debts	7	141	7	141
Accruals	175	52	169	52
Sub-total other	**182**	**193**	**176**	**193**
Total deferred tax assets	2,838	3,041	2,757	2,977
Set-off of deferred tax liabilities pursuant to set-off provisions (note 24)	(2,838)	(3,041)	(2,757)	(2,977)
Net deferred tax assets	**–**	**–**	**–**	**–**
Deferred tax assets to be recovered within 12 months	–	–	–	–
Deferred tax assets to be recovered after more than 12 months	2,838	3,041	2,757	2,977
	2,838	**3,041**	**2,757**	**2,977**

Movements – Consolidated	Employee benefits $'000	Fixed assets $'000	Capitalised transaction costs $'000	Cash flow hedges $'000	Doubtful debts $'000	Other $'000	Total $'000
At 1 July 2007	884	338	2,030	130	–	143	3,525
(Charged)credited to the income statement	14	63	(481)	(130)	141	(91)	(484)
At 30 June 2008	**898**	**401**	**1,549**	**–**	**141**	**52**	**3,041**
At 30 June 2008	898	401	1,549	–	141	52	3,041
(Charged)/credited to the income statement	166	28	(479)	–	(134)	123	(296)
Credited directly to equity	–	–	–	93	–	–	93
At 30 June 2009	**1,064**	**429**	**1,070**	**93**	**7**	**175**	**2,838**

Movements – Parent	Employee benefits $'000	Fixed assets $'000	Capitalised transaction costs $'000	Cash flow hedges $'000	Doubtful debts $'000	Other $'000	Total $'000
At 1 July 2007	787	338	2,030	130	–	143	3,428
(Charged)/credited to the income statement	47	63	(481)	(130)	141	(91)	(451)
At 30 June 2008	**834**	**401**	**1,549**	**–**	**141**	**52**	**2,977**
At 30 June 2008	834	401	1,549	–	141	52	2,977
(Charged)/credited to the income statement	155	28	(479)	–	(134)	117	(313)
(Charged)/credited directly to equity	–	–	–	93	–	–	93
At 30 June 2009	**989**	**429**	**1,070**	**93**	**7**	**169**	**2,757**

17 Non-current assets – Intangible assets

Consolidated	Goodwill $'000	Brands $'000	Distribution rights $'000	Other $'000	Non-compete covenant $'000	Total $'000
At 1 July 2007						
Cost	825	54,565	794	22,119	–	78,303
Accumulated amortisation and impairment	–	–	–	–	–	–
Net book amount	**825**	**54,565**	**794**	**22,119**	**–**	**78,303**
Year ended 30 June 2008						
Opening net book amount	825	54,565	794	22,119	–	78,303
Acquisition of subsidiary transaction costs	–	–	–	322	–	322
Final purchase price allocation	11,194	10,921	–	(22,441)	463	137
Transfers from Property, plant and equipment	–	–	–	941	–	941
Transfers from accumulated amortisation	–	–	–	(76)	–	(76)
Amortisation charge	–	–	(159)	(102)	–	(261)
Closing net book amount	**12,019**	**65,486**	**635**	**763**	**463**	**79,366**
At 30 June 2008						
Cost	12,019	65,486	794	941	463	79,703
Accumulated amortisation and impairment	–	–	(159)	(178)	–	(337)
Net book amount	**12,019**	**65,486**	**635**	**763**	**463**	**79,366**
Year ended 30 June 2009						
Opening net book amount	12,019	65,486	635	763	463	79,366
Amortisation charge	–	–	(159)	(109)	(193)	(461)
Closing net book amount	**12,019**	**65,486**	**476**	**654**	**270**	**78,905**
At 30 June 2009						
Cost	12,019	65,486	794	941	463	79,703
Accumulated amortisation and impairment	–	–	(318)	(287)	(193)	(798)
Net book amount	**12,019**	**65,486**	**476**	**654**	**270**	**78,905**

Parent	Goodwill $'000	Brands $'000	Distribution rights $'000	Other $'000	Total $'000
At 1 July 2007					
Cost	825	54,565	794	–	56,184
Accumulated amortisation and impairment	–	–	–	–	–
Net book amount	**825**	**54,565**	**794**	**–**	**56,184**
Year ended 30 June 2008					
Opening net book amount	825	54,565	794	–	56,184
Transfers from Property, plant and equipment	–	–	–	941	941
Transfers of accumulated amortisation	–	–	–	(76)	(76)
Amortisation charge	–	–	(159)	(102)	(261)
Closing net book amount	**825**	**54,565**	**635**	**763**	**56,788**
At 30 June 2008					
Cost	825	54,565	794	941	57,125
Accumulated amortisation and impairment	–	–	(159)	(178)	(337)
Net book amount	**825**	**54,565**	**635**	**763**	**56,788**
Year ended 30 June 2009					
Opening net book amount	825	54,565	635	763	56,788
Amortisation charge	–	–	(159)	(109)	(268)
Closing net book amount	**825**	**54,565**	**476**	**654**	**56,520**
At 30 June 2009					
Cost	825	54,565	794	941	57,125
Accumulated amortisation and impairment	–	–	(318)	(287)	(605)
Net book amount	**825**	**54,565**	**476**	**654**	**56,520**

(a) Impairment tests for goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are allocated to the Group's cash-generating units (CGU) according to business operations.

The recoverable amount of a CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a two-year period. Cash flows beyond the two-year period are extrapolated using the estimated growth rates stated below.

2009	Goodwill $'000	Brands $'000
Sweet and savoury frozen bakery product business	–	54,565
Caravan Park	825	–
Frozen fruit product business	11,194	10,921
	12,019	**65,486**

2008	Goodwill $'000	Brands $'000
Sweet and savoury frozen bakery product business	–	54,565
Caravan Park	825	–
Frozen fruit product business	11,194	10,921
	12,019	**65,486**

17 Non-current assets – Intangible assets *(continued)*

(b) Key assumptions used for value-in-use calculations

	Growth rate **		Discount rate ***	
CGU	2009 %	2008 %	2009 %	2008 %
Sweet and savoury frozen bakery product business	6.0	6.0	12.9	11.2
Caravan Park	1.0	1.0	11.8	11.2
Frozen fruit product business	7.0	5.0	13.1	11.2

** Growth rate is used to extrapolate cash flows beyond the budget period for the forecast period to 2014.
*** The discount rates used are pre-tax.

These assumptions have been used for the analysis of each CGU. Management determined budgeted gross margin based on past performance and its expectations for the future. The growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant CGU and the markets in which they operate.

(c) Impact of possible changes in key assumptions

Management does not consider that any reasonably possible change in any of the key assumptions would result in a CGU carrying amount exceeding the recoverable amount.

18 Current liabilities – Payables

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade payables	13,114	10,180	11,625	7,163
Amounts due to associates	–	–	9,522	–
Other payables	3,944	3,301	3,179	3,343
	17,058	**13,481**	**24,326**	**10,506**

(a) Risk exposure

Information about the Group's and the Company's exposure to foreign exchange risk is provided in note 2.

19 Current liabilities – Borrowings

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Secured				
Lease liabilities (note 31)	249	887	220	855
Other secured finance	–	8,640	–	8,640
Bank bills (a)	2,100	–	2,100	–
Total secured current borrowings	**2,349**	**9,527**	**2,320**	**9,495**

(a) Bank bills

Relates to a portion of a bill facility that expires within 12 months.

(b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 2.

(c) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 23.

(d) Security

Details of the security relating to each of the secured liabilities and further information on the bank bills are set out in note 23.

20 Derivative financial instruments

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current liabilities				
Forward foreign exchange contracts – cash flow hedges ((a)(i))	142	–	142	–
Forward foreign currency contracts – held for trading ((a)(ii))	124	–	124	–
Total current derivative financial instrument liabilities	**266**	**–**	**266**	**–**
Non-current liabilities				
Interest rate swaps – cash flow hedges ((a)(iii))	311	–	311	–
Total non-current derivative financial instrument liabilities	311	–	311	–
Total derivative financial instrument liabilities	**577**	**–**	**577**	**–**

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Forward foreign exchange contracts – cash flow hedges

The Group use raw materials purchased from the United States and Europe. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars and Euros.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for shipments of raw materials are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

There was no hedge ineffectiveness in the current or prior year.

(ii) Forward foreign exchange contracts – held for trading

The Group has further entered into forward exchange contracts which do not satisfy the requirements for hedge accounting. These contracts are subject to the same risk management policies as all other derivative contracts, see note 2 for details. They are accounted for as held for trading.

(iii) Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently bear a variable interest rate. It is policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 50% (2008 – 0%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.

The contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. In the year ended 30 June 2009 a loss of $296,925 was reclassified into profit and loss (2008 – $0) and included in finance cost. There was no hedge ineffectiveness in the current year.

21 Current liabilities – Provisions

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Employee benefits	2,969	2,764	2,773	2,594

(a) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current long service leave obligation expected to be settled after 12 months	121	169	108	169

22 Current liabilities – Current tax liabilities

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Income tax	–	1,131	–	575

23 Non-current liabilities – Borrowings

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Secured				
Bank bills	68,035	60,500	68,035	60,500
Lease liabilities (note 31)	143	650	85	554
Total secured non-current borrowings	**68,178**	**61,150**	**68,120**	**61,054**
Total non-current borrowings	**68,178**	**61,150**	**68,120**	**61,054**

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Bank overdrafts and bank loans	68,035	60,500	68,035	60,500
Lease liabilities	392	1,537	305	1,409
Other secured finance	–	8,640	–	8,640
Bank bills	2,100	–	2,100	–
Total secured liabilities	**70,527**	**70,677**	**70,440**	**70,549**

The bank bills are secured by first ranking fixed and floating charges over all the assets and undertakings of the company and first ranking registered mortgages over the company's freehold land and buildings.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The company is subject to certain covenants within the facility. These are:

(i) senior debt cover ratio to be less than 3.5 times;

(ii) interest cover ratio to be greater than 3 times; and

(iii) capital adequacy ratio to be greater than 45%.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

		Consolidated		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current					
Floating charge					
Cash and cash equivalents	9	1,155	2,098	1,142	1,423
Receivables	10	36,727	32,081	36,726	30,108
Inventories	11	19,539	17,925	16,761	11,240
Total current assets pledged as security		**57,421**	**52,104**	**54,629**	**42,771**
Non-current					
First mortgage					
Freehold land and buildings	15	23,361	15,602	23,361	15,602
Finance lease					
Plant and equipment	15	967	1,045	872	1,045
Floating charge					
Other financial assets	14	8,049	–	34,575	34,575
Plant and equipment	15	35,263	21,544	34,158	20,193
Total non-current assets pledged as security		67,640	38,191	92,966	71,415
Total assets pledged as security		**125,061**	**90,295**	**147,595**	**114,186**

(b) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2009		2008	
Group	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank bills	70,135	70,135	60,500	60,500
Other secured finance	–	–	8,640	8,640
Lease liabilities	392	392	1,537	1,537
Other unsecured finance	–	–	34	34
	70,527	**70,527**	**70,711**	**70,711**

	2009		2008	
Parent entity	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank bills	70,135	70,135	60,500	60,500
Other secured finance	–	–	8,640	8,640
Lease liabilities	305	305	1,537	1,537
Other unsecured finance	–	–	34	34
	70,440	**70,440**	**70,711**	**70,711**

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant.

23 Non-current liabilities – Borrowings *(continued)*

(c) Risk exposures

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 2.

24 Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The balance comprises temporary differences attributable to:				
Brand names	6,500	6,500	6,500	6,500
Intangible assets	297	364	64	148
Depreciation	935	657	935	657
	7,732	**7,521**	**7,499**	**7,305**
Other				
Interest on financed asset deposits	–	8	–	8
Other	26	–	21	–
Sub-total other	**26**	**8**	**21**	**8**
Total deferred tax liabilities	7,758	7,529	7,520	7,313
Set-off of deferred tax assets pursuant to set-off provisions (note 16)	(2,838)	(3,041)	(2,757)	(2,977)
Net deferred tax liabilities	**4,920**	**4,488**	**4,763**	**4,336**
Movements:				
Opening balance at 1 July	7,529	6,935	7,313	6,879
Charged/(credited) to the income statement (note 8)	229	594	207	434
Closing balance at 30 June	**7,758**	**7,529**	**7,520**	**7,313**
Deferred tax liabilities to be settled within 12 months	–	–	–	–
Deferred tax liabilities to be settled after more than 12 months	7,758	7,529	7,520	7,313
	7,758	**7,529**	**7,520**	**7,313**

25 Non-current liabilities – Provisions

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Employee benefits	579	100	524	57

26 Contributed equity

	Parent entity 2009 Shares	Parent entity 2008 Shares	Parent entity 2009 $'000	Parent entity 2008 $'000
(a) Share capital				
Ordinary shares				
Fully paid	138,797,343	138,873,680	68,194	68,269

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
1 July 2007	Opening balance	139,052,580	68,583
	Employee share scheme issues	126,000	146
	Selective buy back of shares from the Rijs Family Trust (via Bairnsdale Services Pty Ltd)	(66,659,488)	(32,879)
	Issue of shares to Rijs Family Trust beneficiaries (Bairnsdale Services Pty Ltd shareholders)	66,659,488	32,879
	Less: transaction costs accounted for in equity for Rijs Family Trust shareholding restructure	–	(130)
	On market share buyback	(304,900)	(330)
30 June 2008	Balance	138,873,680	68,269
1 July 2008	Opening balance	138,873,680	68,269
	On market share buy back	(76,337)	(75)
	On market share buy back – employee share scheme	(170,292)	(139)
	Employee share scheme issues	170,292	139
30 June 2009	**Balance**	**138,797,343**	**68,194**

(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) Employee share scheme

An Exempt Employee Plan Offer under which shares may be issued by the company to employees for no up front cash consideration was established as part of the Initial Public Offer. The first round of the Exempt Employee Plan Offer was conducted in November 2006 and the second in March 2008.

Under the third round of the Exempt Employee Plan Offer conducted in March 2009, eligible employees were granted 1,225 Offer Shares (being approximately $1,000 worth of fully paid Offer Shares at the offer price of $0.82) in Patties Foods Limited. Successful Plan applicants would have their pre tax salary or wages reduced by approximately $1,000 in equal instalments, over a 12 month period.

Shares issued under the exempt employee plan offer may not be sold until the earlier of three years after issue or cessation of employment by the Group. During this period, the eligible employee will have legal ownership of the shares and all other rights (including dividend and voting rights), but may not sell, grant a security over or otherwise dispose of those shares. In all other respects the shares rank equally with other fully paid ordinary shares on issue.

It is proposed that offers under the Exempt Employee Share Plan will be made annually. Salary or bonus sacrifice arrangements, where applicable, will be entered into by the participants for a period of 12 months. Offers will be up to $1,000 worth of shares.

26 Contributed equity *(continued)*

(e) Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the Company monitors capital on the basis of maintaining its capital adequacy ratio above 45%. This ratio is calculated as total net worth divided by total assets. Total net worth is defined as net assets. This capital requirement is imposed on the Group by its banking covenants.

The capital adequacy ratio for 2009 was 53% (2008: 53%).

The Group's capital management strategy in 2009 was unchanged from 2008.

27 Reserves and retained profits

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Reserves				
Hedging reserve – cash flow hedges	(317)	–	(317)	–
Movements:				
Hedging reserve – cash flow hedges				
Opening balance 1 July	–	(305)	–	(305)
Revaluation – gross (notes 16 and 24)	452	435	452	435
Deferred tax	(135)	(130)	(135)	(130)
Balance 30 June	**317**	**–**	**317**	**–**
(b) Retained profits				
Movements in retained profits were as follows:				
Balance 1 July	40,972	37,137	38,348	37,116
Net profit for the year	11,262	13,846	8,119	11,243
Dividends	(9,022)	(10,011)	(9,022)	(10,011)
Balance 30 June	**43,212**	**40,972**	**37,445**	**38,348**

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

28 Dividends

	Parent 2009 $'000	Parent 2008 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2008 of 4.5 cents (2007 – 4.4 cents) per fully paid share paid on 10 October 2008 (2007 – 10 October 2007) Fully franked based on tax paid @ 30% – 4.5 cents (2007 – 4.4 cents) per share	6,246	6,118
Interim ordinary dividend for the year ended 30 June 2009 of 2.0 cents (2008 – 2.8 cents) per fully paid share paid on 15 April 2009 Fully franked based on tax paid @ 30% – 2.0 cents (2008 – 2.8 cents) per share	2,776	3,893
Total dividends provided for or paid	**9,022**	**10,011**
Dividends paid in cash during the years ended 30 June 2009 and 2008 were as follows:		
Paid in cash	9,022	10,011
	9,022	**10,011**

	Parent 2009 $'000	Parent 2008 $'000
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 2.5 cents per fully paid ordinary share, (2008 – 4.4 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 9 October 2009 out of retained profits at 30 June 2009, but not recognised as a liability at year end, is	3,470	6,246

(c) Franked dividends

The franked portion of the final dividends recommended after 30 June 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2009.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 – 30%)	15,607	14,960	10,599	11,842

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $1,487,114 (2008: $2,794,042).

29 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	1,205,058	1,218,098	1,205,058	1,218,098
Post-employment benefits	595,521	333,107	595,521	333,107
Long-term benefits	–	8,661	–	8,661
Termination benefits	680,000	132,258	680,000	132,258
	2,480,579	**1,692,124**	**2,480,579**	**1,692,124**

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 23 to 26.

(b) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of shares in the Company held during the financial year by each director of Patties Foods Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Patties Foods Limited				
Ordinary shares				
P T Kempen*	1,448,512	–	(1,448,512)	–
M J Allan*	30,500	–	(30,500)	–
R C Rijs	11,311,656	–	125,619	11,437,275
H J Rijs**	4,196,644	–	3,988,944	8,185,588
J C Leonard	2,061,172	–	–	2,061,172
E W Barr – Acting Chairman	3,773,464	–	50,000	3,823,464
G Bourke	–	–	138,800	138,800
G Dhnaram	–	–	–	–
Other key management personnel of the Group				
Ordinary shares				
B A Schofield*	14,696	–	(14,696)	–
M Knaap	–	–	36,364	36,364

* Change during the year is due to resignation.
** Change during the year is due to consolidation of family arrangements.

2008 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Patties Foods Limited				
Ordinary shares				
P T Kempen	1,288,511	–	160,001	1,448,512
M J Allan	10,500	–	20,000	30,500
R C Rijs	10,657,012	–	654,644	11,311,656
H J Rijs	4,021,644	–	175,000	4,196,644
J C Leonard	1,984,172	–	77,000	2,061,172
E W Barr	3,164,444	–	609,020	3,773,464
Other key management personnel of the Group				
Ordinary shares				
B A Schofield	6,400	–	8,296	14,696
A Beeson*	328,602	–	(328,602)	–
M Bartholomew*	1,268,297	–	(1,268,297)	–

* Change during the year is due to resignation.

30 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
(a) Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	203,600	281,800	203,600	281,800
Total remuneration for audit services	**203,600**	**281,800**	**203,600**	**281,800**
(b) Non-audit services				
Other accounting services	8,800	16,090	8,800	16,090
Total remuneration for non-audit services	**8,800**	**16,090**	**8,800**	**16,090**
	212,400	**297,890**	**212,400**	**297,890**

31 Commitments

(a) Capital commitments

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Property, plant and equipment				
Payable:				
Within one year	2,375	871	2,375	871
	2,375	**871**	**2,375**	**871**

(b) Lease commitments : Group as lessee

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	1,048	1,309	710	987
Later than one year but not later than five years	1,330	2,066	1,040	1,476
	2,378	**3,375**	**1,750**	**2,463**
Representing:				
Non-cancellable operating leases	2,313	3,216	1,708	2,333
Future finance charges on finance leases	65	159	42	130
	2,378	**3,375**	**1,750**	**2,463**

(i) Non-cancellable operating leases

The Group leases various offices and warehouses under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1,018	1,234	688	920
Later than one year but not later than five years	1,294	1,982	1,019	1,413
	2,312	**3,216**	**1,707**	**2,333**

(ii) Finance leases

The Group leases various plant and equipment with a carrying amount of $872,000 (2008 – $1,046,000) under finance leases expiring within one to four years. Under the terms of the leases, ownership of the assets transfers to the Group upon payment of the final instalment.

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Commitments in relation to finance leases are payable as follows:				
Within one year	279	962	243	922
Later than one year but not later than five years	178	734	106	616
Minimum lease payments	**457**	**1,696**	**349**	**1,538**
Future finance charges	(65)	(159)	(44)	(130)
Recognised as a liability	**392**	**1,537**	**305**	**1,408**
Total lease liabilities	**392**	**1,537**	**305**	**1,408**
Representing lease liabilities:				
Current (note 19)	249	887	220	855
Non-current (note 23)	143	650	85	554
	392	**1,537**	**305**	**1,409**

The weighted average interest rate implicit in the leases is 7.23% (2008 – 7.57%).

(c) Inventory commitments

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Commitments in relation to inventory purchases payable as follows:				
Within one year	12,379	5,357	6,936	1,613
Later than one year and not later than five years	–	3,265	–	3,225
	12,379	**8,622**	**6,936**	**4,838**

32 Related party transactions

(a) Parent entities

The parent entity and ultimate entity within the Group is Patties Foods Limited.

(b) Associates

Details of associates are set out in note 34.

(c) Subsidiaries

Interests in subsidiaries are set out in note 33.

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 29.

(e) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Sales of goods and services				
Sale of raw materials to Davies Bakery (Aust) Pty Ltd	632,617	640,851	632,617	640,851
Purchases of goods				
Finished goods from Davies Bakery (Aust) Pty Ltd	7,823,872	1,726,011	7,823,872	1,726,011
Air flight services from Piper Partners Pty Ltd	140,121	212,846	140,121	212,846
Strategic and financial advice from other related party	25,940	907,089	25,940	907,089
Consultancy services from other related party	47,000	–	47,000	–
	8,036,933	**2,845,946**	**8,036,933**	**2,845,946**
Superannuation contributions				
Contributions to superannuation funds on behalf of employees	2,341,036	2,167,851	2,197,155	1,985,178
Other transactions				
Interest revenue from Davies Bakery (Aust) Pty Ltd	44,104	–	44,104	–
Buy back of ordinary shares from other related party	–	32,878,915	–	32,878,915
Issue of shares to Rijs Family Trust beneficiaries	–	(32,878,915)	–	(32,878,915)
	44,104	**–**	**44,104**	**–**

(f) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Current receivables (sales of goods and services)				
Davies Bakery (Aust) Pty Ltd	145,939	136,250	145,939	136,250
Current payables (purchases of goods)				
Davies Bakery (Aust) Pty Ltd	1,117,694	254,035	1,117,694	254,035

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(g) Loans to/from related parties

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Loans to Davies Bakery (Aust) Pty Ltd				
Beginning of the year	–	5,136,146	–	5,136,146
Transfer to Investment in associate	–	(5,136,146)	–	(5,136,146)
Loans advanced	600,000	–	600,000	–
Loan repayments received	(600,000)	–	(600,000)	–
Interest charged	44,104	–	44,104	–
Interest received	(44,104)	–	(44,104)	–
End of year	**–**	**–**	**–**	**–**
Loans to related party				
Beginning of the year	–	92,511	–	92,511
Loans advanced	–	–	–	469,077
Loan repayments received	–	(92,511)	–	(92,511)
End of year	**–**	**–**	**–**	**469,077**

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

There are no loans to directors or executives at 30 June 2009 other than loans to executives of up to $1,000 under standard terms of the Group's exempt employee share plan.

33 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

			Equity holding	
Name of entity	Country of incorporation	Class of shares	2009 %	2008 %
Chef's Pride Pty Ltd	Australia	Ordinary	100	100
Creative Gourmet Pty Ltd	Australia	Ordinary	100	100

34 Investments in associates

	Consolidated 2009 $'000	Consolidated 2008 $'000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	7,961	199
Additional investments	–	8,250
Share of profits/(losses) after income tax	88	(488)
Carrying amount at the end of the financial year	**8,049**	**7,961**

(b) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
2009					
Piper Partners Pty Ltd	50	216	232	87	(8)
Davies Bakery (Aust) Pty Ltd	50	10,141	2,626	10,224	107
		10,357	**2,858**	**10,311**	**99**
2008					
Piper Partners Pty Ltd	50	225	229	86	(7)
Davies Bakery (Aust) Pty Ltd	50	9,379	1,972	6,992	(441)
		9,604	**2,201**	**7,078**	**(448)**

All of the above associates are incorporated in Australia.

The above are based on the unaudited financial statements of Piper Partners Pty Ltd and audited financial statements of Davies Bakery (Aust) Pty Ltd.

35 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit for the year	11,262	13,846	8,119	11,243
Depreciation and amortisation	6,051	4,434	5,721	4,237
Net loss on sale of property, plant and equipment	18	–	–	–
Transfer of interest income to Investing cash flows	(192)	(228)	(162)	(189)
Fair value adjustment to derivatives	(317)	–	(317)	–
Share of (profits)/losses of associates and joint venture partnership not received as dividends or distributions	(88)	488	–	–
(Increase) decrease in trade debtors	(5,423)	2,041	(7,809)	1,750
(Increase) decrease in inventories	(1,616)	4,100	(5,522)	7,225
Decrease in deferred tax assets	203	484	220	450
(Increase) in other operating assets	(590)	(536)	(1,176)	(1,028)
Increase (decrease) in trade creditors	3,576	(5,640)	13,820	(5,094)
(Decrease) in provision for income taxes payable	(1,131)	(901)	(575)	(1,179)
Increase in deferred tax liabilities	228	593	207	434
Increase (decrease) in derivative financial instruments	577	(435)	577	(435)
Increase (decrease) in other provisions	683	(85)	646	27
Net cash inflow from operating activities	**13,241**	**18,161**	**13,749**	**17,441**

36 Earnings per share

	Consolidated	
	2009 Cents	2008 Cents
(a) Basic and diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	8.1	10.0

(b) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2009 $'000	2008 $'000
Basic and diluted earnings per share		
Profit from continuing operations	11,262	13,846

(c) Weighted average number of shares used as the denominator

	Consolidated	
	2009 Number	2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	138,797,343	139,040,052

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 34 to 74 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial 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, and

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.*

This declaration is made in accordance with a resolution of the directors.

Ernest W Barr
Director

Melbourne
24 August 2009

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

Report on the financial report

We have audited the accompanying financial report of Patties Foods Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration for both Patties Foods Limited and the Patties Foods Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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 controls 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Patties Foods Limited (continued)

Independence

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 Patties Foods Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date;

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

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 26 of the directors' report for the year ended 30 June 2009. 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 Patties Foods Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
24 August 2009

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2009.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security holder			
	Ordinary shares			
Holding	Shares	Options	Redeemable preference shares	Convertible notes
1 – 1000	540	–	–	–
1,001 – 5,000	1,459	–	–	–
5,001 – 10,000	498	–	–	–
10,001 – 100,000	626	–	–	–
100,001 and over	66	–	–	–
	3,189	**–**	**–**	**–**

There were 142 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
M F Custodians Ltd	24,344,120	17.54
Hank Pty Ltd (Ankh Family A/C)	8,185,588	5.90
The Estate of Peter Anthony Rijs	6,411,656	4.62
NRR Pty Ltd	5,982,674	4.31
A W Rys Pty Ltd	5,971,304	4.30
L A Rijs Pty Ltd	5,340,199	3.85
JP Morgan Nominees Australia Ltd	5,157,704	3.72
The Myer Family Investments Pty Ltd	5,000,000	3.60
F A Rijs Pty Ltd	4,672,674	3.37
National Nominees Limited	4,576,262	3.30
ANZ Nominees Ltd (Cash Income A/C)	4,315,746	3.11
R C Rijs Pty Ltd	4,290,974	3.09
MWR Pty Ltd	3,815,732	2.75
Ernest Wolfgang Barr	2,985,408	2.15
Congent Nominees Pty Ltd (SMP Accounts)	2,729,949	1.97
Peter Leslie Dennison	1,682,163	1.21
Mr Michael Thomas Bartholomew	1,246,752	0.90
Bairnsdale Custodians Pty Ltd	1,241,599	0.89
Cogent Nominees Pty Ltd	1,147,713	0.83
EMK Investments Pty Ltd	987,937	0.71
	100,055,327	**72.09**

C. Substantial holders

Substantial holders in the company as per last notice disclosed to ASX are set out below:

	Number held	Percentage
Ordinary shares		
The Myer Family Investments Pty Ltd	13,907,957	10.01%
Richard Rijs	11,437,275	8.19%
Frank Rijs	8,932,584	6.43%
Harry Rijs	8,185,588	5.89%
Aviva Investors Australia Limited	7,058,927	5.09%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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Corporate Directory

Directors

Christopher Riordan *Chairman*
Gregory J Bourke *Managing Director*
Richard C Rijs
Henricus J Rijs
J Curt Leonard
Ernest W Barr
Gregory Dhnaram

Secretary

Philip Thomas

Principal registered office in Australia

161 – 169 Princes Highway
Bairnsdale Vic 3875
1800 650 069

Share and debenture register

Computershare Investor Services Pty. Ltd.
Yarra Falls, 452 Johnston Street
Abbotsford Vic 3067
1300 787 171

Auditor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Solicitors

Clayton Utz
333 Collins St
Melbourne Vic 3000

Bankers

Westpac Bank Limited
Level 7, 360 Collins St
Melbourne Vic 3000

Stock exchange listings

Patties Foods Limited shares are listed on
the Australian Stock Exchange.
ASX Code: PFL

Website address

www.patties.com.au

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fibre
www.fsc.org Cert no. SCS-COC-001320
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Patties
FOODS

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Branded Frozen Food Company

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