



Patties Foods Ltd
ABN 62 007 157 182

Operations

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22 February 2010

Announcements Officer
Company Announcements Office
Australian Stock Exchange Limited
South Tower Rialto
525 Collins Street
MELBOURNE VIC 3000

Patties Foods Limited (PFL) - Results for announcement to the market – Half Year ended 31 December 2009.

In accordance with the ASX Listing Rule 4.2A, the following information in respect of the half year ended 31 December 2009 is transmitted for lodgement:

1. Half Year results announcement;
2. Appendix 4D – Half Year Report and Interim Dividend Announcement for the half year ended 31 December 2009; and
3. Directors' Report and Interim Financial Statements for the half year ended 31 December 2009.

Yours faithfully

A handwritten signature in black ink, appearing to read "Philip Thomas", written over a horizontal line.

PHILIP THOMAS
Company Secretary



HALF YEAR RESULTS ANNOUNCEMENT

PATTIES INCREASES UNDERLYING NPAT BY 62.4%

FOR THE HALF YEAR ENDING 31 DECEMBER 2009

The Board of Patties Foods Ltd (PFL) today announced the Company's financial result for the half year ended 31 December 2009.

Group summary result

\$m	1H10	1H09	% Change
Sales Revenue	\$102.2	\$90.5	13.0%
EBITDA	\$15.3	\$13.1	16.8%
EBIT	\$12.4	\$10.3	20.9%
Reported NPAT	\$7.5	\$4.7	58.6%
EPS (cents)	5.4	3.4	58.8%
Interim Dividend (cents)	3.0	2.0	50.0%
EBITDA – Underlying ⁽¹⁾	\$16.8	\$13.9	21.2%
EBIT – Underlying ⁽¹⁾	\$13.9	\$11.0	26.0%
NPAT – Underlying ⁽¹⁾	\$8.5	\$5.3	62.4%
EPS (cents) – Underlying ⁽¹⁾	6.1	3.8	60.5%
Net Debt	\$63.5	\$76.9	(17.4%)
Cash Inflow from Operations	\$14.0	\$1.4	-

(1) Reported profit adjusted for significant items of \$1.5m pre-tax and \$1.0m post-tax. (Last year adjustment for significant items of \$0.8m pre-tax and \$0.5m post-tax.)

The Company delivered an underlying NPAT of \$8.5m for the first half of the FY2010 reflecting a 62.4% increase on the previous corresponding period.

PFL Chairman, Mr Chris Riordan, said “The improved trading performance reflects management’s focus on driving the fundamentals of the business and provides an indication of the Company’s underlying earning capacity. “

Managing Director, Mr Greg Bourke, said, “The new management team is working closely together to drive increased profits through top line growth, embedding factory efficiencies and minimising costs.”

The principal drivers of this improved trading result were:

- Strong sales growth from improved market shares, increased category growth and a continued pipeline of new products;
- Increased manufacturing efficiencies as a result of the continuous improvement program across the Bairnsdale site.

Highlights for the half year were:

- Record sales revenue driven by a 25.5% increase in the Out-Of-Home Division and a 9.7% increase in branded retail sales in the In-Home Division.
- The underlying EBIT margin to sales improved from 12.2% to 13.6%, highlighting the impact of strong sales growth, improved manufacturing efficiencies and stringent cost control
- Successful launches of new products:
 - Extension of the premium Herbert Adams range across both In-Home and Out-of-Home divisions, with supporting TV commercial and consumer promotion,
 - Four'n Twenty products for the petrol and convenience channel.
 - Extended sweet pastry range produced on the recently installed fruit pie line, including Nanna's mini retail products and Out-of-Home sweet tarts range
- Increased sales of sausage rolls caused by supply difficulties encountered by a competitor.
- Further improvement in manufacturing efficiencies and customer supply levels were achieved during the first half.
- Finance costs were lower than last year due mainly to lower interest rates and lower debt levels.
- Our joint venture, Davies Bakery, continued to improve its performance.
- Improved working capital management.

Dividend

An interim fully franked dividend of 3.0 cents per share (1H09: 2.0 cps) has been declared. The record date for entitlement is 19 March 2010 and the payment date is 14 April 2010.

Capital Management

Net Debt reduced by \$13.4m to \$63.5m (31 December 2008 \$76.9m) as a result of improved working capital management and earnings. Total net cash flow generated from operating activities in 1H10 was \$14.0m, delivering a \$12.6m improvement on 1H09. Accordingly, the debt to equity ratio⁽²⁾ has improved to 55.0% at 31 December 2009 from 72.1% at 31 December 2008.

Significant Items

Significant items impacting the half year result are:

- Costs of closure of the frozen fruit packing plant in Silverwater NSW, and relocation to Bairnsdale, in February 2010. (EBIT \$1.2m)
- Executive redundancy costs from restructuring the sales management team. (EBIT \$0.3m)

Outlook

Subject to no material change in current economic and trading conditions, foreign exchange rates or commodity pricing, the Company expects the FY2010 annual underlying NPAT to fall within the range of \$15.5m - \$17.5m.

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

(2) Debt to equity ratio is calculated as net debt vs. total equity.

Appendix 4D

Half year report

Name of entity

Patties Foods Limited

ABN or equivalent company reference: ABN 62 007 157 182
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1. Reporting period

Report for the half year ended	31 December 2009
Previous corresponding period is the half year ended	31 December 2008

2. Results for announcement to the market

A\$'000			
Revenue from ordinary activities (<i>item 2.1</i>)	up	13.0%	to 102,241
Earnings before interest, tax, depreciation & amortisation (EBITDA)	up	16.8%	to 15,350
Underlying earnings before interest, tax, depreciation & amortisation (EBITDA)	up	21.2%	to 16,845
Earnings before interest and tax (EBIT)	up	20.9%	to 12,392
Underlying Earnings before interest and tax (EBIT)	up	26.1%	to 13,887
Net profit (loss) from ordinary activities after tax attributable to members (<i>Item 2.2 & 2.3</i>)	up	58.6%	to 7,488
Underlying net profit (loss) from ordinary activities after tax attributable to members	up	62.4%	to 8,535
Dividends (<i>item 2.4</i>)	Date paid / payable (<i>item 5</i>)	Amount per security	Franked amount per security
Interim dividend			
Current reporting period	14 APR 2010	3.0¢	3.0¢
Previous corresponding period	15 APR 2009	2.0¢	2.0¢
Record date for determining entitlements to the interim dividend (<i>item 2.5</i>):		19 March 2010	
Brief explanation (<i>item 2.6</i>): Please refer to the commentary in the review of results and operations section of the directors' report and the Half Year Results Announcement accompanying this Half Year Report.			

3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing (per share)	\$0.26	\$0.20
Net asset backing (per share)	\$0.83	\$0.77

4. Details of entities over which control has been gained or lost (item 4)
Not Applicable

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

	Current period \$A'000	Previous corresponding period - \$A'000
Final Dividend Paid	\$3,470	\$6,246
Total dividends paid in period	\$3,470	\$6,246

6. There is currently no dividend reinvestment plan in place (item 6)

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

	% Holding	2009 A\$'000	2008 A\$'000
Davies Bakery Pty Ltd	50%	\$216	(\$99)
Piper Partners Pty Ltd	50%	\$6	(\$6)

8. Foreign Entities accounting standards (item 8)
Not Applicable

9. Audit of the financial report (item 9)

The financial report has been subject to a half year review by PricewaterhouseCoopers and no review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2009.

Patties Foods Limited

ABN 62 007 157 182

Interim financial statements for the half-year ended 31 December 2009

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Directors' report

Your directors present their report on the consolidated entity consisting of Patties Foods Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

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

Gregory J Bourke
Ernest W Barr
Richard C Rijs
Henricus J Rijs
Gregory Dhnaram
J Curt Leonard

Chris Riordan was appointed as an independent non-executive director and Chairman on 7 July 2009 and continues in office at the date of this report.

John Schmoll was appointed as an independent non-executive director on 2 October 2009 and continues in office at the date of this report.

Review of operations and activities

The Group's net profit after tax for the half year to 31 December 2009 (1H10) amounted to \$7,488,000, an increase of 58.6% on the previous corresponding period (1H09: \$4,722,000). If significant items are excluded, the Group's underlying net profit after tax increased by 62.4% from \$5,257,000 in 1H09 to \$8,535,000 in 1H10.

The principal drivers of this improved trading result were:

- Sales revenue increasing by 13% from \$90,485,000 in 1H09 to \$102,241,000 in 1H10.
- Increased manufacturing efficiencies.

The basic earnings per share were 5.4 cents (1H09: 3.4 cents) or on an underlying profit basis, 6.1 cents (1H09: 3.8 cents).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Rounding of amounts

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



Chris Riordan
Director

Melbourne
22 February 2010

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
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Telephone 61 3 8603 1000
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Auditor's Independence Declaration

As lead auditor for the review of Patties Foods Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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



John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
22 February 2010

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Patties Foods Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers the half year to 31 December 2009 and the corresponding half year to 31 December 2008.

Patties Foods Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

		Half-year	
		2009 \$'000	2008 \$'000
Revenue from continuing operations			
Sale of goods	3	101,885	90,063
Other revenue from ordinary activities	3	<u>356</u>	<u>422</u>
		102,241	90,485
Other income	4	36	9
Expenses			
Cost of sales of goods		(61,895)	(54,334)
Distribution		(9,667)	(8,849)
Marketing		(11,569)	(11,128)
Administration		(5,748)	(5,806)
Other	5	(1,228)	-
Finance costs	5	(2,059)	(3,103)
Share of net profit/(loss) of associates and joint venture partnership accounted for using the equity method		<u>222</u>	<u>(105)</u>
Profit before income tax		10,333	7,169
Income tax expense		<u>(2,845)</u>	<u>(2,447)</u>
Profit from continuing operations		<u>7,488</u>	<u>4,722</u>
Profit attributable for the half year		<u>7,488</u>	<u>4,722</u>
Other comprehensive income			
Changes in fair value of cash flow hedges		346	(1,302)
Income tax relating to components of other comprehensive income		<u>(103)</u>	<u>391</u>
Other comprehensive income for the year, net of tax		<u>243</u>	<u>(911)</u>
Total comprehensive income for the half-year		<u>7,731</u>	<u>3,811</u>
Profit is attributable to:			
Owners of Patties Foods Limited		<u>7,488</u>	<u>4,722</u>
Total comprehensive income for the half-year is attributable to:			
Owners of Patties Foods Limited		<u>7,731</u>	<u>3,811</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share		5.4	3.4
Diluted earnings per share		5.4	3.4

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

Patties Foods Limited
Consolidated balance sheet
As at 31 December 2009

	31 December 2009 \$'000	30 June 2009 \$'000
Notes		
ASSETS		
Current assets		
Cash and cash equivalents	3,381	1,155
Receivables	35,454	36,727
Inventories	25,201	19,540
Derivative financial instruments	5	-
Current tax receivables	-	1,366
Total current assets	<u>64,041</u>	<u>58,788</u>
Non-current assets		
Investments accounted for using the equity method	8,271	8,049
Property, plant and equipment	63,810	61,977
Intangible assets	78,729	78,905
Total non-current assets	<u>150,810</u>	<u>148,931</u>
Total assets	<u>214,851</u>	<u>207,719</u>
LIABILITIES		
Current liabilities		
Payables	21,644	17,058
Borrowings	2,297	2,349
Derivative financial instruments	-	266
Current tax liabilities	895	-
Provisions	4,313	2,969
	<u>29,149</u>	<u>22,642</u>
Total current liabilities	<u>29,149</u>	<u>22,642</u>
Non-current liabilities		
Borrowings	64,535	68,178
Deferred tax liabilities	5,160	4,920
Provisions	516	579
Derivative financial instruments	111	311
Total non-current liabilities	<u>70,322</u>	<u>73,988</u>
Total liabilities	<u>99,471</u>	<u>96,630</u>
Net assets	<u>115,380</u>	<u>111,089</u>
EQUITY		
Contributed equity	6 68,194	68,194
Reserves	7 (44)	(317)
Retained profits	47,230	43,212
Total equity	<u>115,380</u>	<u>111,089</u>

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

Patties Foods Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2009

Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2008		68,269	-	40,972	109,241
Profit for the half-year		-	-	4,722	4,722
Cash flow hedges	7	-	(1,302)	-	(1,302)
Income tax relating to components of other comprehensive income	7	-	391	-	391
Total comprehensive income for the half-year		<u>-</u>	<u>(911)</u>	<u>4,722</u>	<u>3,811</u>
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares	6	(75)	-	-	(75)
Dividends provided for or paid	8	-	-	(6,247)	(6,247)
		<u>(75)</u>	<u>-</u>	<u>(6,247)</u>	<u>(6,322)</u>
Balance at 31 December 2008		<u>68,194</u>	<u>(911)</u>	<u>39,447</u>	<u>106,730</u>
Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2009		68,194	(317)	43,212	111,089
Profit for the half-year		-	-	7,488	7,488
Cash flow hedges	7	-	346	-	346
Income tax relating to components of other comprehensive income	7	-	(103)	-	(103)
Total comprehensive income for the half-year		<u>-</u>	<u>243</u>	<u>7,488</u>	<u>7,731</u>
Transactions with owners in their capacity as owners:					
Employee share options	6	-	30	-	30
Dividends provided for or paid	8	-	-	(3,470)	(3,470)
		<u>-</u>	<u>30</u>	<u>(3,470)</u>	<u>(3,440)</u>
Balance at 31 December 2009		<u>68,194</u>	<u>(44)</u>	<u>47,230</u>	<u>115,380</u>

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

Patties Foods Limited
Consolidated cash flow statement
For the half-year ended 31 December 2009

	Half-year	
Notes	2009 \$'000	2008 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	112,890	98,303
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(96,390)</u>	<u>(90,003)</u>
	16,500	8,300
Income tax paid	(447)	(3,922)
Borrowing costs paid	<u>(2,055)</u>	<u>(3,008)</u>
Net cash inflow (outflow) from operating activities	<u>13,998</u>	<u>1,370</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(4,612)	(2,924)
Loans paid/(repaid) by related parties	-	(600)
Interest received	<u>6</u>	<u>126</u>
Net cash (outflow) inflow from investing activities	<u>(4,606)</u>	<u>(3,398)</u>
Cash flows from financing activities		
Proceeds from borrowings	-	17,385
Payments for shares bought back	-	(75)
Repayment of borrowings	(3,696)	(9,648)
Dividends paid to company's shareholders	8 <u>(3,470)</u>	<u>(6,247)</u>
Net cash inflow (outflow) from financing activities	<u>(7,166)</u>	<u>1,415</u>
Net increase (decrease) in cash and cash equivalents	2,226	(613)
Cash and cash equivalents at the beginning of the half-year	<u>1,155</u>	<u>2,098</u>
Cash and cash equivalents at end of the half-year	<u>3,381</u>	<u>1,485</u>

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

Contents of the notes to the financial statements

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1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Patties Foods Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Basis of preparation of half-year financial report

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 and certain classes of property, plant and equipment.

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. This has not resulted in any changes to the number of reportable segments presented in the financial statements.

2 Segment information

The economic entity operates predominantly in one segment being the manufacture and marketing of frozen food products throughout Australia.

3 Revenue

	Half-year	
	2009	2008
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	101,885	90,063
<i>Other revenue</i>		
Interest	6	126
Caravan Park income	350	296
	356	422
	102,241	90,485

4 Other income

	Half-year	
	2009 \$'000	2008 \$'000
Government grants	16	(25)
Sundry income	2	-
Commission	-	3
Royalties	18	31
	<u>36</u>	<u>9</u>

5 Profit for the half-year

	Half-year	
	2009 \$'000	2008 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	460	625
Property, plant and equipment	<u>2,320</u>	<u>2,080</u>
Total depreciation	<u>2,780</u>	<u>2,705</u>
<i>Amortisation</i>		
Intangibles	178	182
<i>Employee benefits</i>		
Employee benefits expense	19,037	16,852
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,059	3,103
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,039	618
<i>Provision against assets:</i>		
Trade receivables	(11)	4
Inventories	-	(12)
	<u>(11)</u>	<u>(8)</u>
Significant items		
<i>Management restructuring</i>		
Management restructuring	267	764
<i>Plant closure and relocation</i>		
Frozen fruit plant	1,228	-

6 Contributed equity

	31 December 2009 Shares	30 June 2009 Shares	31 December 2009 \$'000	30 June 2009 \$'000
(a) Share capital				
Ordinary shares				
Fully paid	<u>138,797,343</u>	<u>138,797,343</u>	<u>68,194</u>	<u>68,194</u>

(b) Movements in ordinary share capital:

There have been no movements in ordinary share capital.

(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) Options

Options over shares in Patties Foods Limited are granted under the Patties Foods Long Term Incentive Plan. Details of options granted were announced on 3 December 2009. The plan is designed to provide long term incentive to certain key management personnel to deliver long term shareholder returns. Under the plan, participants are granted options which vest if certain performance standards are met and employees are still employed by the Company at the end of the vesting period. Participation in the plan is at the Board's discretion with the Managing Director's participation also subject to shareholder approval.

7 Reserves

	31 December 2009 \$'000	30 June 2009 \$'000
(a) Reserves		
Hedging reserve - cash flow hedges	(74)	(317)
Share-based payments reserve	<u>30</u>	<u>-</u>
	<u>(44)</u>	<u>(317)</u>

Movements:

Hedging reserve - cash flow hedges

Opening balance	(317)	-
Revaluation - gross	346	(452)
Deferred tax	<u>(103)</u>	<u>135</u>
Closing balance	<u>(74)</u>	<u>(317)</u>

7 Reserves (continued)

	31 December 2009 \$'000	30 June 2009 \$'000
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Movements:

Share-based payments reserve

Opening balance	-	-
Option expense	<u>30</u>	<u>-</u>
Closing balance	<u><u>30</u></u>	<u><u>-</u></u>

8 Dividends

	Half-year	
	2009 \$'000	2008 \$'000

(a) Ordinary shares

Final dividend for the year ended 30 June 2009 of 2.5 cents (2008 - 4.5 cents) per fully paid share paid on 9 October 2009 (2008 - 10 October 2008)

Fully franked based on tax paid @ 30%	<u>3,470</u>	<u>6,246</u>
Total dividends provided for or paid	<u><u>3,470</u></u>	<u><u>6,246</u></u>

(b) Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 3.0 cents (2008 - 2.0 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 14 April 2010 out of retained profits at 31 December 2009, but not recognised as a liability at the end of the half-year, is

	<u><u>4,164</u></u>	<u><u>2,776</u></u>
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9 Commitments

(a) Capital commitments

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

	31 December 2009 \$'000	30 June 2009 \$'000
<i>Property, plant and equipment</i> Within one year	3,922	2,375

10 Earnings per share

	Half-year	
	2009 Cents	2008 Cents
(a) Basic earnings per share		
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company	<u>5.4</u>	<u>3.4</u>

(b) Diluted earnings per share

Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	<u>5.4</u>	<u>3.4</u>
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(c) Reconciliations of earnings used in calculating earnings per share

	Half-year	
	2009 \$'000	2008 \$'000
<i>Basic and diluted earnings per share</i> Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	7,488	4,722

(d) Number of shares used as the denominator

	Half-year	
	2009 Shares	2008 Shares
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	138,797,343	138,797,343
Adjustments for calculation of diluted earnings per share:		
Options	<u>918,273</u>	<u>-</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>139,715,616</u>	<u>138,797,343</u>

(e) Information concerning the classification of securities

(i) Options

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 13 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 consolidated entity's financial position as at 31 December 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Chris Riordan
Director

Melbourne
22 February 2010

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Patties Foods Limited, which comprise the balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Patties Foods Limited Group (the consolidated entity). The consolidated entity comprises both Patties Foods Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

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

Conclusion

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

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



PricewaterhouseCoopers



John O'Donoghue
Partner

Melbourne
22 February 2010