



**Patties Foods Ltd**  
ABN 62 007 157 182

**Operations**

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24 February 2014

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 2013**

In accordance with the ASX Listing Rule 4.2A, the following information in respect of the half year ended 31 December 2013 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 2013; and
3. Directors' Report and Interim Financial Statements for the half year ended 31 December 2013.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Michael Knaap".

**MICHAEL KNAAP**  
Company Secretary

For further information refer to [www.patties.com.au](http://www.patties.com.au) or contact:

Michael Knaap, Acting Joint CEO & CFO  
03 8540 9100.



**Patties**

**Herbert Adams**



**Nanna's**

**Creative Gourmet**





## HALF YEAR RESULTS ANNOUNCEMENT

### Stable revenue whilst investing in branded growth initiatives

The Board of Patties Foods Limited (PFL) today announced the Company's financial result for the half year ended 31 December 2013.

#### Group summary result

\$m	H1F14	H1F13	% Change
Sales Revenue	\$126.5	\$125.5	0.9%
EBITDA	\$17.8	\$18.2	-1.8%
EBIT	\$14.0	\$14.6	-4.1%
NPAT	\$8.8	\$9.1	-3.3%
EPS (cents)	6.3	6.5	-3.1%
DPS (cents)	3.2	3.2	0.0%
EBITDA – Underlying <sup>(1)</sup>	\$17.8	\$18.8	-4.8%
EBIT – Underlying <sup>(1)</sup>	\$14.0	\$15.2	-7.9%
NPAT- Underlying <sup>(1)</sup>	\$8.8	\$9.5	-7.5%
EPS (cents) – Underlying <sup>(1)</sup>	6.3	6.8	-7.4%
Cash Inflow from Operations	\$12.8	\$15.7	-18.5%
	H1F14	H2F13	
Net Debt	\$62.8	\$68.0	
Net Debt to Equity ratio <sup>(3)</sup>	46.8%	50.9%	
Underlying Return on Equity (pa.) <sup>(2)</sup>	12.2%	12.7%	

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

(2) Return on Equity is calculated using the average equity over the previous 12 months.

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

*Revenue grew by 0.9% despite the loss of a major private label frozen fruit contract. Profit Margins were slightly reduced impacted by capturing value segment growth opportunities, In Home channel margin pressure and input cost movements. This was partially offset by improved manufacturing performance and sales price increase.*

*Accordingly Net Profit After Tax (NPAT) of \$8.755m was down \$0.3m (3.3%) on the previous corresponding period. This equates to a 7.5% reduction versus last years' underlying NPAT.*

*Commenting on the results, PFL Chairman, Mr Mark Smith said: "Stable revenue was achieved, whilst continuing to invest in branded growth initiatives, including innovation. Our disciplined focus on effective cost control meant that margins were only slightly down despite cost pressures."*

*Acting Joint CEO, Mr Michael Knaap said, "Whilst conditions have been challenging we continue to see opportunities for improvement in many areas and remain focused to deliver improved earnings."*

*Productivity optimisation remains a core focus with particular emphasis on manufacturing efficiencies driven by capital investment and our continuous improvement programs"*

*Commenting further, fellow Acting Joint CEO, Mr Tim Peters said, "We are continuing to grow and protect our core iconic brands and their market leading positions. We have heightened our focus to innovate high quality products to create consumer demand and are excited by the plans in place for the next 12 months"*

**Highlights for the period were:**

- *Focus on branded growth remains a priority ensuring:*
  - *We maintained market share leadership in all categories.*
  - *Branded growth from Patties (8%) supported by product and packaging innovation and a marketing campaign.*
  - *Branded growth from Nanna's frozen fruit (69%) through innovative new product launches with high customer penetration*
  - *FOUR'N TWENTY remained as the market leading brand in both the In Home and Out of Home sales channels*
  - *The launch of a new range of Nanna's desserts.*
- *Completion of the robotic packing equipment project that is now delivering the full anticipated benefits.*
- *Improved Balance sheet with conservative gearing.*

**Capital Management**

*PFL strengthened the balance sheet with improved gearing and a net debt to equity ratio<sup>3</sup> of 46.8% at 31 December 2013 (50.9% at 30 June 2013). Net Debt reduced significantly by \$5.2m to \$62.8m (30 June 2013 \$68.0m). Furthermore, interest cover<sup>4</sup> improved to 7.0x (H1F13: 6.5x).*

**Dividend**

*The Board has declared a fully franked interim dividend of 3.2 cents per share (FY13: 3.2 cps). The record date for determining this entitlement is 19 March 2014 and the payment date is 11 April 2014.*

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<sup>3</sup> Debt to equity ratio is calculated as net debt vs. total equity.

<sup>4</sup> Interest cover is calculated as underlying EBIT divided by interest.

## **Outlook**

*We currently anticipate in H2F14 to at least match last year's second half underlying NPAT as a result of:*

- *Focus on our core brands.*
- *The launch of innovative new products.*
- *The price increase flow through to recover cost increases.*
- *Disciplined control of costs.*
- *Improved manufacturing efficiencies through the full benefits of the automation project and our continuous improvement program.*

*For further information refer to [www.patties.com.au](http://www.patties.com.au) or contact Michael Knaap, Acting Joint CEO & CFO 03 8540 9100.*

## **About Patties Foods**

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

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

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

# Appendix 4D

## Half year report

Name of entity

<b>Patties Foods Limited</b>
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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 2013
Previous corresponding period is the half year ended	31 December 2012

### 2. Results for announcement to the market

				A\$'000
Revenue from ordinary activities ( <i>item 2.1</i> )	up	0.9%	to	126,544
Earnings before interest, tax, depreciation & amortisation (EBITDA)	down	1.8%	to	17,849
Underlying earnings before interest, tax, depreciation & amortisation (EBITDA) <sup>(1)</sup>	down	4.8%	to	17,849
Earnings before interest and tax (EBIT)	down	4.1%	to	13,994
Underlying earnings before interest and tax (EBIT) <sup>(1)</sup>	down	7.9%	to	13,994
Net profit (loss) from ordinary activities after tax attributable to members ( <i>Item 2.2 &amp; 2.3</i> )	down	3.3%	to	8,755
Underlying net profit (loss) from ordinary activities after tax attributable to members <sup>(1)</sup>	down	7.5%	to	8,755

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

<b>Dividends (<i>item 2.4</i>)</b>	Date paid / payable ( <i>item 5</i> )	Amount per security	Franked amount per security
<b>Interim dividend</b>			
Current reporting period	11 APR 2014	3.2¢	3.2¢
Previous corresponding period	12 APR 2013	3.2¢	3.2¢
Record date for determining entitlements to the interim dividend ( <i>item 2.5</i> ):		19 March 2014	
Brief explanation ( <i>item 2.6</i> ):			
Please refer to the commentary in the review of operations and activities section of the directors' report and the Half Year Results Announcement accompanying this Half Year Report.			

**3. Net tangible assets per security**

	Current period	Previous corresponding period
Net tangible asset backing (per share)	\$0.49	\$0.44
Net asset backing (per share)	\$0.96	\$1.00

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

Not Applicable

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

	Current period \$A'000	Previous corresponding period - \$A'000
Final Dividend Paid	\$5,424	\$6,116
<b>Total dividends paid in period</b>	<b>\$5,424</b>	<b>\$6,116</b>

**6. There is currently no dividend reinvestment plan in place****7. Share of net profit/(loss) after tax from associates**

	% Holding	2013 A\$'000	2012 A\$'000
Davies Bakery Pty Ltd	50%	\$691	\$774
Piper Partners Pty Ltd	50%	(\$14)	(\$7)

**8. Foreign Entities accounting standards**

Not Applicable

**9. Audit of the financial report**

The financial report has been subject to a half year review by PricewaterhouseCoopers and no review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2013.

# **Patties Foods Limited**

ABN 62 007 157 182

## **Interim financial statements for the half-year ended 31 December 2013**

**Patties Foods Limited** ABN 62 007 157 182  
**Interim financial statements - 31 December 2013**

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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 2013.

### 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 Dhnaram  
J Curt Leonard  
Henricus J Rijs  
Richard C Rijs  
John P Schmoll  
Mark G Smith

Gregory J Bourke was a director from the beginning of the financial year until his resignation on 11th September 2013.

### Review of operations

Net Profit After Tax (NPAT) of \$8.755m was down \$0.3m (3.3%) on the previous corresponding period. This equates to a 7.5% reduction versus last year's underlying NPAT(1) of \$9.462m.

The principal drivers of this result were:

- Sales Revenue increasing by 0.86% from \$125,468,000 in H1F13 to \$126,544,000 in H1F14, despite impact of the loss of a major private label contract.
- Slightly reduced gross margin impacted by capturing value segment opportunities, In Home channel margin pressure and input cost movements. This was partially offset by improved manufacturing performance and sales price increase.
- Effective cost control despite increase in logistics costs, marketing brand spend and investment in developing various innovation product initiatives.

(1) Underlying NPAT is the profit from continuing operations less the significant items identified in Note 5.

The basic earnings per share were 6.3 cents (H1F13:6.5 cents).

### Auditor's independence declaration

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

### Rounding of amounts

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



Mark G Smith  
Chairman



## Auditor's Independence Declaration

As lead auditor for the review of Patties Foods Limited for the half-year ended 31 December 2013, 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.

A handwritten signature in black ink that reads 'Lisa Harker'.

Lisa Harker  
Partner  
PricewaterhouseCoopers

Melbourne  
24 February 2014

**Patties Foods Limited** ABN 62 007 157 182  
**Interim financial statements - 31 December 2013**

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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 2013 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 2013 and the corresponding half year to 31 December 2012.

**Patties Foods Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2013**

		31 December 2013 \$'000	31 December 2012 \$'000
	Notes		
<b>Revenue from continuing operations</b>			
Sale of goods	3	126,256	125,132
Other revenue from ordinary activities	3	288	336
		126,544	125,468
<b>Other income</b>	4	2	10
<b>Expenses</b>			
Cost of sales of goods		(81,579)	(80,123)
Distribution		(14,673)	(13,982)
Sales and marketing		(11,210)	(11,193)
Administration		(5,767)	(6,348)
Finance costs	5	(2,019)	(2,244)
Share of net profit/(loss) of associates accounted for using the equity method		677	767
<b>Profit before income tax</b>		<b>11,975</b>	<b>12,355</b>
Income tax expense		(3,220)	(3,304)
<b>Profit from continuing operations</b>		<b>8,755</b>	<b>9,051</b>
<b>Profit attributable for the half-year</b>		<b>8,755</b>	<b>9,051</b>
<b>Other comprehensive income</b>			
Changes in the fair value of cash flow hedges		(501)	129
Income tax relating to components of other comprehensive income		150	(39)
<b>Other comprehensive income for the half-year, net of tax</b>		<b>(351)</b>	<b>90</b>
<b>Total comprehensive income for the half-year</b>		<b>8,404</b>	<b>9,141</b>
Profit is attributable to:			
Owners of Patties Foods Limited		8,755	9,051
Total comprehensive income for the half-year is attributable to:			
Owners of Patties Foods Limited		8,404	9,141
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	10	<b>6.3</b>	6.5
Diluted earnings per share	10	<b>6.3</b>	6.5

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

**Patties Foods Limited**  
**Consolidated balance sheet**  
**As at 31 December 2013**

	<b>31 December 2013</b>	<b>30 June 2013</b>
<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	158	68
Receivables	41,986	53,961
Inventories	39,446	40,925
Derivative financial instruments	-	557
<b>Total current assets</b>	<b>81,590</b>	<b>95,511</b>
<b>Non-current assets</b>		
Investments accounted for using the equity method	9,564	9,888
Property, plant and equipment	72,390	72,665
Intangible assets	66,286	66,493
<b>Total non-current assets</b>	<b>148,240</b>	<b>149,046</b>
<b>Total assets</b>	<b>229,830</b>	<b>244,557</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	20,570	32,405
Borrowings	2,500	4,330
Derivative financial instruments	199	2
Current tax liabilities	1,219	1,317
Provisions	3,108	3,508
<b>Total current liabilities</b>	<b>27,596</b>	<b>41,562</b>
<b>Non-current liabilities</b>		
Borrowings	60,500	63,750
Deferred tax liabilities	5,892	6,031
Provisions	1,136	1,370
Derivative financial instruments	464	717
<b>Total non-current liabilities</b>	<b>67,992</b>	<b>71,868</b>
<b>Total liabilities</b>	<b>95,588</b>	<b>113,430</b>
<b>Net assets</b>	<b>134,242</b>	<b>131,127</b>
<b>EQUITY</b>		
Contributed equity	6	68,682
Reserves	7(a)	(321)
Retained earnings		65,881
<b>Total equity</b>	<b>134,242</b>	<b>131,127</b>

*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 2013**

	Attributable to owners of Patties Foods Limited			
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	68,443	(714)	68,328	136,057
Profit for the half year	-	-	9,051	9,051
Changes in the fair value of cash flow hedges, net of tax	-	90	-	90
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>90</b>	<b>9,051</b>	<b>9,141</b>
<b>Transactions with owners in their capacity as owners:</b>				
Value of Performance Rights	7	-	124	-
Dividends provided for or paid	8	-	-	(6,116)
Employee share scheme issue	6	128	-	-
		128	124	(6,116)
				(5,864)
<b>Balance at 31 December 2012</b>	<b>68,571</b>	<b>(500)</b>	<b>71,263</b>	<b>139,334</b>
<b>Balance at 1 July 2013</b>	68,571	6	62,550	131,127
Profit for the half year	-	-	8,755	8,755
Changes in the fair value of cash flow hedges, net of tax	-	(351)	-	(351)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>(351)</b>	<b>8,755</b>	<b>8,404</b>
<b>Transactions with owners in their capacity as owners:</b>				
Value of Performance Rights	7	-	24	-
Dividends provided for or paid	8	-	-	(5,424)
Employee share scheme issue	6	111	-	-
		111	24	(5,424)
				(5,289)
<b>Balance at 31 December 2013</b>	<b>68,682</b>	<b>(321)</b>	<b>65,881</b>	<b>134,242</b>

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

**Patties Foods Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2013**

	<b>31 December 2013 \$'000</b>	<b>31 December 2012 \$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	149,510	146,342
Payments to suppliers and employees (inclusive of goods and services tax)	(131,410)	(123,137)
Borrowing costs paid	(2,020)	(2,271)
Income taxes paid	(3,307)	(5,274)
<b>Net cash inflow from operating activities</b>	<b>12,773</b>	<b>15,660</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(3,299)	(6,266)
Dividends received	1,000	-
Interest received	9	28
<b>Net cash (outflow) from investing activities</b>	<b>(2,290)</b>	<b>(6,238)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	111	128
Proceeds from borrowings	50,100	32,450
Repayment of borrowings	(53,350)	(33,512)
Dividends paid to group's shareholders	(5,424)	(6,116)
<b>Net cash (outflow) from financing activities</b>	<b>(8,563)</b>	<b>(7,050)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,920	2,372
Cash and cash equivalents at the beginning of the financial year	(1,762)	151
<b>Cash and cash equivalents at end of half-year</b>	<b>158</b>	<b>2,523</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

**Notes to the consolidated financial statements**

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## 1 Summary of significant accounting policies

This general purpose interim financial report for the half-year reporting period ended 31 December 2013 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 2013 and any public announcements made by Patties Foods Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

### (a) Basis of preparation

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

## 2 Segment information

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

## 3 Revenue

	31 December 2013 \$'000	31 December 2012 \$'000
<b>From continuing operations</b>		
<b>Sales revenue</b>		
Sale of goods	126,256	125,132
<b>Other revenue</b>		
Rent	10	30
Interest	9	28
Caravan Park income	269	278
	<u>288</u>	<u>336</u>
	<b>126,544</b>	<b>125,468</b>

## 4 Other income

	31 December 2013 \$'000	31 December 2012 \$'000
Government grants	-	8
Sundry income	2	2
	<u>2</u>	<u>10</u>

## 5 Profit for the half-year

	31 December 2013 \$'000	31 December 2012 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<b>Depreciation</b>		
Buildings	473	579
Property, plant and equipment	3,175	2,782
Total depreciation	3,648	3,361
<b>Amortisation</b>		
Intangible assets	207	206
<b>Employee Benefits</b>		
Employee benefits expense	23,371	23,203
<b>Finance Costs</b>		
Interest and finance charges paid/payable	2,019	2,244
<b>Rental expense relating to operating leases</b>		
Minimum lease payments	1,095	863
<b>Provision against assets:</b>		
Trade receivables	-	62
<b>Significant items (a)</b>		
Australian Convenience Foods Pty Ltd Trade receivable provision	-	587

### (a) Significant Items

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

## 6 Contributed equity

### (a) Share capital

	31 December 2013 Shares	30 June 2012 Shares	31 December 2013 \$'000	30 June 2012 \$'000
Ordinary shares				
Ordinary shares - fully paid	139,144,338	139,065,639	68,682	68,571

## 6 Contributed equity (continued)

### (b) Movements in ordinary share capital

Date	Number of shares	\$'000
1 July 2013		
Opening balance	139,065,639	68,571
Employee share scheme issues	<u>78,699</u>	<u>111</u>
<b>31 December 2013 Balance</b>	<b><u>139,144,338</u></b>	<b><u>68,682</u></b>

### (c) Ordinary shares

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

### (d) Performance Rights

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

## 7 Reserves

### (a) Reserves

	31 December 2013 \$'000	30 June 2013 \$'000
Hedging reserve - cash flow hedges	(464)	(113)
Share-based payments reserve	143	119
	(321)	6
	31 December 2013 \$'000	30 June 2013 \$'000

#### Movements:

##### *Hedging reserve - cash flow hedges*

Opening balance 1 July	(113)	(714)
Revaluation - gross	(501)	858
Deferred tax	150	(257)
<b>Balance 31 December</b>	<b>(464)</b>	<b>(113)</b>

##### *Share-based payments*

Opening balance 1 July	119	-
Option expense / (gain)	-	119
Performance rights	24	-
<b>Balance 31 December</b>	<b>143</b>	<b>119</b>

## 8 Dividends

### (a) Ordinary shares

	2013 \$'000	2012 \$'000
Final dividend for the year ended 30 June 2013 of 3.9 cents (2012: 4.4 cents) per fully paid share paid on 8 October 2013 (2012: 8 October 2012) Fully franked based on tax paid @ 30% - 3.9 cents (2012 - 4.4 cents) per share	5,424	6,116

### (b) Dividends not recognised at the end of the reporting period

	2013 \$'000	2012 \$'000
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 3.2 cents per fully paid ordinary share (2012 - 3.2 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 14 April 2014 out of retained profits at 31 December 2013, but not recognised as a liability at the end of the half-year, is	4,453	4,450

## 9 Commitments

### (a) Capital commitments

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

	31 December 2013 \$'000	30 June 2013 \$'000
<b>Property, plant and equipment</b>		
Within one year	5,529	2,413
Later than one year but not later than five years	156	-

## 10 Earnings per share

	2013 Cents	Half year 2012 Cents
<b>(a) Basic earnings per share</b>		
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company	6.3	6.5
<b>(b) Diluted earnings per share</b>		
Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	6.3	6.5

### (c) Reconciliation of earnings used in calculating earnings per share

	2013 \$'000	2012 \$'000
<b>Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:	8,755	9,051

### **Diluted earnings per share**

**10 Earnings per share (continued)**

**(d) Weighted average number of shares used as denominator**

	<b>2013</b>	<b>2012</b>
	<b>Shares</b>	<b>Shares</b>
<b><i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i></b>	139,144,338	139,065,639
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	381,859	710,394
<b><i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i></b>	<b><u>139,526,197</u></b>	<b><u>139,776,033</u></b>

**(e) Information on the classification of securities**

**(i) Options**

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

**(ii) Performance shares**

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
  - (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 2013 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mark G Smith  
Chairman

Melbourne

24 February 2014



## **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 report of Patties Foods Limited (the Company), which comprises the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Patties Foods Limited Group (the consolidated entity). The consolidated entity comprises 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Patties Foods Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

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

### ***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 2013 and of its performance for the half-year ended on that date;

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b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Lisa Harker*

Lisa Harker  
Partner

Melbourne  
24 February 2014