



Patties Foods Ltd
ABN 62 007 157 182

Operations

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17 February 2011

Announcements Officer
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**Patties Foods Limited (PFL) - Results for announcement to the market
- Half Year ended 31 December 2010**

In accordance with the ASX Listing Rule 4.2A, the following information in respect of the half year ended 31 December 2010 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 2010; and
3. Directors' Report and Interim Financial Statements for the half year ended 31 December 2010.

Yours faithfully

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

PHILIP W THOMAS
Company Secretary



HALF YEAR RESULTS ANNOUNCEMENT

Patties achieves another 6 months of strong earnings growth

The Board of Patties Foods Ltd (PFL) today announced the Company's financial result for the half year ended 31 December 2010.

Summary result

| \$m | 1H11 | 1H10 | % Change |
|---|---------|---------|----------|
| Sales Revenue | \$111.8 | \$102.2 | 9.4% |
| EBITDA | \$19.2 | \$15.3 | 25.3% |
| EBIT | \$15.9 | \$12.4 | 28.4% |
| Reported NPAT | \$9.8 | \$7.5 | 30.3% |
| EPS (cents) | 7.0 | 5.4 | 30.2% |
| Interim Dividend (cents) | 3.5 | 3.0 | 16.7% |
| EBITDA – Underlying ⁽¹⁾ | \$19.2 | \$16.8 | 14.2% |
| EBIT – Underlying ⁽¹⁾ | \$15.9 | \$13.9 | 14.6% |
| NPAT – Underlying ⁽¹⁾ | \$9.8 | \$8.5 | 14.3% |
| EPS (cents) – Underlying ⁽¹⁾ | 7.0 | 6.1 | 14.2% |
| Net Debt | \$59.8 | \$63.5 | (4.7%) |
| Return on Equity (p.a.) ⁽²⁾ | 15.0% | 12.6% | 19.0% |

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

(2) Return on Equity is calculated over the calendar year.

The Company achieved another period of strong earnings growth with reported Net Profit after Tax of \$9.8m, reflecting a 14.3% increase on the underlying NPAT in the previous corresponding period, and a 30.3% increase on the reported NPAT in the previous corresponding period.

PFL Chairman, Mr Chris Riordan, said “This result maintains the trend of continued earnings growth based on increased market shares, particularly of our branded products, maintaining the pipeline of innovative new products and improved manufacturing efficiencies”.

Managing Director, Mr Greg Bourke, said, “This is a very pleasing result as it is driven by 11.5% growth in our branded product sales. This organic growth came from the launch of the Four'n Twenty Angus range of pies, a successful new T.V. marketing campaign promoting the Patties party range and growth in Frozen Fruit revenue, assisted by Creative Gourmet's new packaging and a new Nanna's range of berries.”



Highlights for the six months were:

- Increased revenue of 9.4% driven by 14.1% increase in branded In - Home (supermarket) sales.
- Improved Gross Margin to 40.3% as a result of further reducing manufacturing conversion costs and improved product mix from branded sales.
- Further improved customer supply levels were achieved reflecting the improved manufacturing capability.
- Increased market share of the In-Home channel due to:
 - Successful launch of Angus Pie range, and increased sales of Patties party range in the frozen savoury category, and
 - Launch of Nanna's Berries and increased promotion of Creative Gourmet in the frozen fruit category.
- Increased market share of the Petrol and Convenience channel due to:
 - Successful launch of Angus, and
 - Extra ranging of savoury products.

Dividend

An interim fully franked dividend of 3.5 cents per share (1H10: 3.0 cps) has been declared. The record date for entitlement is 18 March 2011 and the payment date is 14 April 2011.

Capital Management

Net Debt at 31 December 2010 reduced to \$59.8m continuing the downward trend from a peak at 31 December 2008 of \$76.9m. The reduction is underpinned by a focus on cash generation through improved working capital management and earnings.

Balance sheet strength continues to improve with conservative gearing reflected by debt to equity ratio⁽³⁾ of 47.8% at 31 December 2010; debt to EBITDA ratio⁽⁴⁾ of 1.7 times and Interest cover⁽⁵⁾ at 6.5 times. In addition, our return on equity increased to 15.0% p.a., up from 12.6% p.a. on the previous corresponding period.

Capital Expenditure

The Board has approved the investment of \$9.8 million to upgrade and redevelop the Bairnsdale pie line packing capability. The installation of robotic vision control "pick-and-place" equipment at an expected cost of \$6.7m is estimated to generate a return on investment above our benchmark. Related building works are expected to cost \$3.1m. Commissioning is expected in Q2F12.

Greg Bourke said, "This is an exciting innovation in the Australian frozen savoury industry and as the first pie manufacturer in Australia to install this equipment, this will further build our competitive advantage of lower production costs."

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

(4) Debt to EBITDA ratio is calculated as net debt divided by annual EBITDA.

(5) Interest cover is calculated by EBIT divided by Interest



Outlook

Whilst we are confident of continued revenue growth, trading conditions are challenging, particularly in the Out of Home market. Future raw material costs are uncertain as meat costs are at abnormally high levels, and are fluctuating after recent Australian weather events. The Board will provide guidance for FY11 when the impact of these input costs are known.

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

About Patties Foods

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

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

Appendix 4D

Half year report

Name of entity

| |
|------------------------------|
| Patties Foods Limited |
|------------------------------|

| |
|---|
| ABN or equivalent company reference: ABN 62 007 157 182 |
|---|

1. Reporting period

| | |
|--|------------------|
| Report for the half year ended | 31 December 2010 |
| Previous corresponding period is the half year ended | 31 December 2009 |

2. Results for announcement to the market

| | | | A\$'000 |
|--|---------------------------------------|---------------------|-----------------------------|
| Revenue from ordinary activities (<i>item 2.1</i>) | up | 9.4% | to 111,838 |
| Earnings before interest, tax, depreciation & amortisation (EBITDA) | up | 25.3% | to 19,238 |
| Underlying Earnings ⁽¹⁾ before interest, tax, depreciation & amortisation (EBITDA) | up | 14.2% | to 19,238 |
| Earnings before interest and tax (EBIT) | up | 28.4% | to 15,908 |
| Underlying Earnings ⁽¹⁾ before interest and tax (EBIT) | up | 14.6% | to 15,908 |
| Net profit (loss) from ordinary activities after tax attributable to members (<i>Item 2.2 & 2.3</i>) | up | 30.3% | to 9,758 |
| Underlying ⁽¹⁾ net profit (loss) from ordinary activities after tax attributable to members | up | 14.3% | to 9,758 |
| 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 2011 | 3.5¢ | 3.5¢ |
| Previous corresponding period | 14 APR 2010 | 3.0¢ | 3.0¢ |
| Record date for determining entitlements to the interim dividend (<i>item 2.5</i>): | | 18 March 2011 | |

⁽¹⁾ Last year reported profit adjusted for significant items of \$1.5m pre-tax and \$1.0M post-tax to determine the underlying earnings

Brief explanation (*item 2.6*):

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

3. Net tangible assets per security

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing (per share) | \$0.34 | \$0.26 |
| Net asset backing (per share) | \$0.90 | \$0.83 |

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 | \$4,862 | \$3,470 |
| Total dividends paid in period | \$4,862 | \$3,470 |

6. There is currently no dividend reinvestment plan in place

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

| | % Holding | 2010 A\$'000 | 2009 A\$'000 |
|------------------------|-----------|-----------------|-----------------|
| Davies Bakery Pty Ltd | 50% | \$248 | \$216 |
| Piper Partners Pty Ltd | 50% | \$0 | \$6 |

8. Foreign Entities accounting standards

Not Applicable

9. Audit of the financial report

The financial report has been subject to a half year review by PricewaterhouseCoopers and no review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2010.

Patties Foods Limited

ABN 62 007 157 182

Interim financial statements for the half-year ended 31 December 2010

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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 2010.

Directors

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

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

Ernest W Barr was a director from the beginning of the financial year until his resignation on 17 December 2010.

Review of operations and activities

The Group's net profit after tax for the half year to 31 December 2010 (1H11) amounted to \$9,758,000, an increase of 30.3% on the previous corresponding period (1H10: \$7,488,000). If significant items are excluded from 1H10, the Group's underlying net profit after tax increased by 14.3% from \$8,535,000 in 1H10 to \$9,758,000 in 1H11.

The principal drivers of this improved trading result were:

Sales revenue increasing by 9.4% from \$102,241,000 in 1H10 to \$111,838,000 in 1H11.

Increased gross Margin by 0.9% from 39.4% in 1H10 to 40.3% in 1H11.

The basic earnings per share were 7.0 cents (1H10: 5.4 cents). or on an underlying basis 7.0 cents (1H10: 6.1 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 J Riordan
Director

Melbourne
17 February 2011

PricewaterhouseCoopers
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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 2010, 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
17 February 2011

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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 2010 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 2010 and the corresponding half year to 31 December 2009.

Patties Foods Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2010

| | | Half-year | |
|--|-------|----------------|----------------|
| | Notes | 2010 \$'000 | 2009 \$'000 |
| Revenue from continuing operations | | | |
| Sale of goods | 3 | 111,487 | 101,885 |
| Other revenue from ordinary activities | 3 | 351 | 356 |
| | | 111,838 | 102,241 |
| Other income | 4 | 92 | 36 |
| Expenses | | | |
| Cost of sales of goods | | (66,711) | (61,895) |
| Distribution | | (12,446) | (9,667) |
| Sales and Marketing | | (11,370) | (11,569) |
| Administration | | (5,743) | (5,748) |
| Other Expenses | 5 | - | (1,228) |
| Finance costs | 5 | (2,452) | (2,059) |
| Share of net profit/(loss) of associates and joint venture partnership accounted for using the equity method | | 248 | 222 |
| Profit before income tax | | 13,456 | 10,333 |
| Income tax expense | | (3,698) | (2,845) |
| Profit from continuing operations | | 9,758 | 7,488 |
| Profit attributable for the half year | | 9,758 | 7,488 |
| Other comprehensive income | | | |
| Changes in fair value of cash flow hedges | | 368 | 346 |
| Income tax relating to components of other comprehensive income | | (110) | (103) |
| Other comprehensive income for the year, net of tax | | 258 | 243 |
| Total comprehensive income for the half-year | | 10,016 | 7,731 |
| Profit is attributable to: | | | |
| Owners of Patties Foods Limited | | 9,758 | 7,488 |
| Total comprehensive income for the half-year is attributable to: | | | |
| Owners of Patties Foods Limited | | 10,016 | 7,731 |
| | | Cents | Cents |
| Earnings per share for profit attributable to the ordinary equity holders of the parent entity: | | | |
| Basic earnings per share | 10 | 7.0 | 5.4 |
| Diluted earnings per share | 10 | 7.0 | 5.4 |

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 2010

| | 31 December | 30 June |
|---|--------------------|----------------|
| | 2010 | 2010 |
| Notes | \$'000 | \$'000 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 2,200 | 357 |
| Receivables | 37,322 | 32,790 |
| Inventories | 28,189 | 29,602 |
| Derivative financial instruments | 323 | - |
| Total current assets | <u>68,034</u> | <u>62,749</u> |
| Non-current assets | | |
| Investments accounted for using the equity method | 8,636 | 8,388 |
| Property, plant and equipment | 63,284 | 64,374 |
| Intangible assets | 78,371 | 78,550 |
| Total non-current assets | <u>150,291</u> | <u>151,312</u> |
| Total assets | <u>218,325</u> | <u>214,061</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 19,392 | 20,970 |
| Borrowings | 2,192 | 2,232 |
| Derivative financial instruments | - | 4 |
| Current tax liabilities | 2,255 | 789 |
| Provisions | 3,065 | 3,092 |
| Total Current Liabilities | <u>26,904</u> | <u>27,087</u> |
| Non-current liabilities | | |
| Borrowings | 59,843 | 60,926 |
| Deferred tax liabilities | 5,671 | 5,549 |
| Provisions | 597 | 646 |
| Derivative financial instruments | 105 | 146 |
| Total non-current liabilities | <u>66,216</u> | <u>67,267</u> |
| Total liabilities | <u>93,120</u> | <u>94,354</u> |
| Net assets | <u>125,205</u> | <u>119,707</u> |
| EQUITY | | |
| Contributed equity | 6 68,329 | 68,329 |
| Reserves | 7(a) 672 | 70 |
| Retained earnings | 56,204 | 51,308 |
| Total equity | <u>125,205</u> | <u>119,707</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 2010

| Consolidated | Notes | Contributed equity \$'000 | Reserves \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|-------|--|----------------------------|---|-------------------------|
| Balance at 1 July 2009 | | 68,194 | (317) | 43,212 | 111,089 |
| Comprehensive income | | - | 243 | 7,488 | 7,731 |
| Total comprehensive income for the half-year | | - | 243 | 7,488 | 7,731 |
| Transactions with owners in their capacity as owners: | | | | | |
| Employee Share Options | | - | 30 | - | 30 |
| Dividends provided for or paid | 8 | - | - | (3,470) | (3,470) |
| | | - | 30 | (3,470) | (3,440) |
| Balance at 31 December 2009 | | 68,194 | (44) | 47,230 | 115,380 |
| Balance at 1 July 2010 | | 68,329 | 70 | 51,308 | 119,707 |
| Comprehensive income | | - | 258 | 9,758 | 10,016 |
| Total comprehensive income for the half-year | | - | 258 | 9,758 | 10,016 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 8 | - | - | (4,862) | (4,862) |
| Employee Share Options | | - | 344 | - | 344 |
| | | - | 344 | (4,862) | (4,518) |
| Balance at 31 December 2010 | | 68,329 | 672 | 56,204 | 125,205 |

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 2010

| | Half-year | |
|---|-----------------------|-----------------------|
| Notes | 2010 \$'000 | 2009 \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 117,920 | 112,890 |
| Payments to suppliers and employees (inclusive of goods and services tax) | <u>(103,354)</u> | <u>(96,390)</u> |
| | 14,566 | 16,500 |
| Income tax paid | (2,221) | (447) |
| Borrowing costs paid | <u>(2,489)</u> | <u>(2,055)</u> |
| Net cash (outflow) inflow from operating activities | <u>9,856</u> | <u>13,998</u> |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (2,066) | (4,612) |
| Interest received | <u>38</u> | <u>6</u> |
| Net cash (outflow) inflow from investing activities | <u>(2,028)</u> | <u>(4,606)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 9,850 | 11,250 |
| Repayment of borrowings | (10,973) | (14,946) |
| Dividends paid to company's shareholders | <u>(4,862)</u> | <u>(3,470)</u> |
| Net cash inflow (outflow) from financing activities | <u>(5,985)</u> | <u>(7,166)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,843 | 2,226 |
| Cash and cash equivalents at the beginning of the half-year | <u>357</u> | <u>1,155</u> |
| Cash and cash equivalents at end of the half-year | <u>2,200</u> | <u>3,381</u> |

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

Notes to the 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 2010 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 2010 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. Management has determined the operating segments 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, in accordance with statutory financial statements.

3 Revenue

| | Half-year | |
|-----------------------------------|-----------|---------|
| | 2010 | 2009 |
| | \$'000 | \$'000 |
| From continuing operations | | |
| <i>Sales revenue</i> | | |
| Sale of goods | 111,487 | 101,885 |
| <i>Other revenue</i> | | |
| Interest | 38 | 6 |
| Caravan Park income | 313 | 350 |
| | 351 | 356 |
| | 111,838 | 102,241 |

4 Other income

| | Half-year | |
|-------------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Government grants | 65 | 16 |
| Sundry income | 3 | 2 |
| Royalties | 24 | 18 |
| | 92 | 36 |

5 Profit for the half-year

| | Half-year | |
|---|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Profit before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Buildings | 515 | 460 |
| Property, plant and equipment | 2,637 | 2,320 |
| Total depreciation | 3,152 | 2,780 |
| <i>Amortisation</i> | | |
| Intangibles | 178 | 178 |
| <i>Employee Benefits</i> | | |
| Employee benefits expense | 21,170 | 19,037 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable | 2,452 | 2,059 |
| <i>Rental expense relating to operating leases</i> | | |
| Minimum lease payments | 952 | 1,039 |
| <i>Provision against assets:</i> | | |
| Trade receivables | (1) | (11) |
| Inventories | (100) | - |
| | (101) | (11) |
| <i>Significant Items</i> | | |
| <i>Management restructuring</i> | | |
| Management restructuring | - | 267 |
| <i>Other Expenses - Plant closure and relocation</i> | | |
| Frozen fruit plant | - | 1,228 |

6 Contributed equity

| | 31 December 2010 Shares | 30 June 2010 Shares | 31 December 2010 \$'000 | 30 June 2010 \$'000 |
|--------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| (a) Share capital | | | | |
| Ordinary shares | | | | |
| Fully paid | 138,908,853 | 138,908,853 | 68,329 | 68,329 |

(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 (LTIP). The plan is designed to provide long term incentive to certain key management personnel to deliver long term shareholder returns. Under the plan, participants are granted options which vest if certain performance standards are met and employees are still employed by the Company at the end of the vesting period. Participation in the plan is at the Board's discretion. The Managing Director's participation was subject to shareholder approval which was given at the Annual General Meeting on 25 November 2010.

7 Reserves

| | 31 December 2010 \$'000 | 30 June 2010 \$'000 |
|------------------------------------|-------------------------------|---------------------------|
| (a) Reserves | | |
| Hedging reserve - cash flow hedges | 153 | (105) |
| Share-based payments reserve | 519 | 175 |
| | 672 | 70 |

Movements:

| | | |
|---|------------|-------|
| <i>Hedging reserve - cash flow hedges</i> | | |
| Opening balance | (105) | (317) |
| Revaluation - gross | 365 | 1,152 |
| Deferred tax | (110) | (345) |
| Reclassification adjustments | | |
| Transfer to profit or loss - gross | 4 | (850) |
| Deferred tax | (1) | 255 |
| Balance 31 December | 153 | (105) |

| | 31 December 2010 \$'000 | 30 June 2010 \$'000 |
|-------------------------------------|-------------------------------|---------------------------|
| <i>Share-based payments reserve</i> | | |
| Opening balance | 175 | - |

7 Reserves (continued)

| | | |
|---------------------|------------|-----|
| Option expense | 344 | 175 |
| Balance 31 December | 519 | 175 |

8 Dividends

| Half-year | |
|-----------|--------|
| 2010 | 2009 |
| \$'000 | \$'000 |

(a) Ordinary shares

Final dividend for the half-year ended 30 June 2010 of 3.5 cents (2009 - 2.5 cents) per fully paid share paid on 8 October 2010 (2009 - 9 October 2009)

| | | |
|---------------------------------------|--------------|-------|
| Fully franked based on tax paid @ 30% | 4,862 | 3,470 |
| Total dividends provided for or paid | 4,862 | 3,470 |

(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 3.5 cents (2009 - 3.0 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 2011 out of retained profits at 31 December 2010, but not recognised as a liability at the end of the half-year, is

| | | |
|--|--------------|-------|
| | 4,862 | 4,164 |
|--|--------------|-------|

9 Commitments

(a) Capital commitments

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

| | 31 December 2010 \$'000 | 30 June 2010 \$'000 |
|---|--|---------------------------|
| <i>Property, plant and equipment</i> Within one year | <u>5,095</u> | <u>3,922</u> |

10 Earnings per share

| | 2010 Cents | Half-year 2009 Cents |
|--|-----------------------|-------------------------------------|
| (a) Basic earnings per share | | |
| Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company | 7.0 | 5.4 |
| (b) Diluted earnings per share | | |
| Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company | 7.0 | 5.4 |

(c) Reconciliations of earnings used in calculating earnings per share

| | 2010 \$'000 | Half-year 2009 \$'000 |
|---|------------------------|--------------------------------------|
| <i>Basic earnings per share</i> Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share | 9,758 | 7,488 |

(d) Number of shares used as the denominator

| | 2010 Shares | Half-year 2009 Shares |
|---|------------------------|--------------------------------------|
| <i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i> | 138,908,853 | 138,797,343 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options | <u>869,335</u> | <u>918,273</u> |
| <i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i> | <u>139,778,188</u> | <u>139,715,616</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(d).

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 company's and consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Chris J Riordan
Director

Melbourne
17 February 2011

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, which comprises the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Patties Foods Limited (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 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 2010 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.

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.

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

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 2010 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
17 February 2011