



Patties Foods Ltd
ABN 62 007 157 182



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22 February 2016

Announcements Officer
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Patties Foods Limited (PFL) – Results for announcement to the market – Half Year ended 31 December 2015

In accordance with ASX Listing Rule 4.2A, the following information in respect of the half year ended 31 December 2015 is transmitted for lodgement:

1. Half Year results announcement;
2. Appendix 4D – Half Year Report and Interim Dividend Announcement; and
3. Director's Report and Interim Financial Statements.

Yours faithfully

PATTIES FOODS LTD
Clinton Orr
Company Secretary

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Patties





HALF YEAR RESULTS ANNOUNCEMENT

Solid core Bakery business EBIT growth as Patties Foods exits the Frozen Fruit market

The Board of Patties Foods Limited (PFL) today announced the Company's financial result for the half year ended 31 December 2015.

Group Summary Result

\$m	1H16	1H15	% Change
Sales Revenue	\$126.2	\$138.1	-8.6%
- excluding Frozen Fruit ⁽¹⁾	\$116.6	\$113.4	+2.8%
EBITDA	\$16.2	\$16.7	-3.1%
EBIT	\$12.1	\$12.7	-4.8%
- Underlying ⁽²⁾	\$12.1	\$13.9	-12.6%
- Underlying excluding Frozen Fruit ⁽³⁾	\$13.1	\$12.2	+7.2%
NPAT	\$7.3	\$8.2	-11.8%
- Underlying ⁽²⁾	\$7.3	\$9.0	-19.5%
EPS (cents)	5.2	5.9	-11.8%
DPS (cents)	2.7	0.0	N/A
Cash Inflow from Operations	\$8.7	-\$3.1	
	1H16	2H15	
Net Debt	\$74.6	\$74.2	
Net Debt to Equity ratio ⁽⁴⁾	55.5%	54.7%	
Underlying Return on Equity (pa) ⁽⁵⁾	10.5%	11.4%	

Total sales revenue decreased by -8.6% for the half year ending 31 December 2015 (1H16) due to lower frozen fruit sales following the Frozen Berries recall in February 2015. Accordingly, Net Profit After Tax (NPAT) over 1H16 was \$7.3m (1H15: \$8.2m), in line with November market guidance.

In December 2015, the Company announced its exit of the Frozen Fruit business through the sale of the Creative Gourmet brand and a managed exit of Nanna's and Chefs Pride frozen fruit products.

Isolating the Frozen Fruit impact, the core Bakery business performed solidly growing +2.8% (+\$3.1m) ⁽¹⁾ in sales revenue and +7.2% (+\$0.9m) ⁽³⁾ in Underlying EBIT to \$13.1m. The result was supported by sales growth in our iconic brands in an environment of substantially increased meat prices and a competitive market.

Commenting on the results, Chairman, Mr Mark Smith said:

"The solid growth of our core Bakery business is pleasing given our on-going focus on brand marketing and product innovation. The decision to comprehensively re-structure the business 12 months ago continues to deliver effective cost control and operational efficiency improvements.

The strategic decision to exit the Frozen Fruit category is on track and the business continues to concentrate on its profitable core Bakery business of savoury and sweet pastry products and the management of our iconic food brands such as FOUR'N TWENTY, Patties, Herbert Adams and Nanna's".

Managing Director and CEO, Mr Steven Chaur said:

"Over 1H16 our core brands continued to grow their sales with FOUR'N TWENTY growing +3.1%; Herbert Adams +11.2% and; Nanna's Sweet Pastry +15.2%. The Patties entertaining brand did experience a 1H16 decline of -5.9%, due mainly to timing of Grocery channel promotional activity versus 1H15, however we anticipate growth during 2H16."

During 2015, the Company continued to closely monitor the Frozen Fruit business and ultimately elected to exit this category to focus on its core Bakery business. Over December, the Creative Gourmet sale was completed smoothly and we anticipate that all Nanna's Frozen Fruit stock will be sold by around May 2016.

Patties Foods remains the branded market leader in the competitive In-home sales channel with 50% market share of the \$290m Total Frozen Savoury category⁽⁶⁾.

During 1H16, the Company launched a range of exciting new campaigns for each of the FOUR'N TWENTY, Patties and Herbert Adams brands and accelerated our innovation pipeline with new product launches. Major activities included:

- **FOUR'N TWENTY:** an additional five new Slow Cooked "Real Chunky" pie products and continued growth of 'SLAMS' party pie bites in the important Petrol & Convenience channel, the launch of a new 'Stacked' super chunky pie range in major supermarkets, supported by national media, sampling and field marketing.
- **Patties:** a new national television and magazine campaign was launched aimed at driving entertaining occasions, whilst supporting sales of innovations such as Patties Pie Bites and the core Patties range in supermarkets and foodservice markets.
- **Herbert Adams:** a new national television and magazine campaign supporting our slow cooked innovation and new premium flavours such as Smoky Pulled Pork, Lamb and Rosemary and RSPCA Chicken and Chorizo. This premium brand now commands 11% value share of supermarket savoury sales and is growing strongly.

Further product and packaging innovation activities will be delivered in 2H16, supported by brand marketing investment in all sales channels and consumer sales activities to support the celebration of the Patties brand's 50th birthday in mid-2016.

"Our Bairnsdale bakery continues to improve in performance and the successful commissioning of the new Sous Vide plant in 1H16 for tender slow cooked meats has given the Company a significant 'first to market' product advantage over our competition. We see this technology as a strong enabler for planned growth into new premium value added proteins and meal solution markets and premium Café/Bakery pastry markets where the Company has yet to capture a stronger position."

During 1H16 the Company chose to exit two unprofitable Private Label contracts which were offset by additional higher margin branded volumes in the Out of Home sales channel.

"Our decision during 2015 to forward buy beef was prudent, given the price uncertainty of global beef markets. This inventory position gave the Company confidence over 1H16 to ensure our cost base was predictable, as we drove additional sales activity and focussed on new innovation. This however did result in higher working capital and debt levels in the short term, which we anticipate will substantially improve over 2H16 as we benefit from lowered inventories, stable local beef pricing and an improved balance sheet."

Further Highlights for 1H16 were:

- FOUR'N TWENTY brand sales revenue grew +10.6% in the key Out of Home channel through the successful FOUR'N TWENTY Real Chunky "Punch Above Your Weight" campaign
- The important Pie Line 2 Spiral Freezer upgrade capital project was successfully commissioned over December 2015 ahead of schedule
- Branded market share gains in the key Petrol and Convenience (P&C) and Food Service channels are in line with our strategy to profitably grow our Out of Home share of total business

Capital Management

The Company maintained a solid balance sheet with a net debt to equity ratio ⁽⁴⁾ of 55.5% at 31 December 2015 (54.7% at 30 June 2015). Total cash flow generated from operations in 1H16 improved to +\$8.7m compared to -\$3.1m in 1H15. Net Debt of \$74.6m was comparable to \$74.2m as at 30 June 2015.

A significant emphasis continues to be applied to working capital management, inventory and debt level reduction, aided by the Frozen Fruit exit and accompanying investment/ losses and a reduction in meat inventories.

Underlying Return of Equity of 10.5% is approximately that of last year. It is anticipated that this and Return on Capital would increase as a result of the exit of Frozen Fruit.

Dividend

The Board has decided that the Company will pay a fully franked interim dividend of 2.7 cents per share (FY15: 0.0 cps). In 1H15, the Board deferred consideration of an interim dividend until the impact of the voluntary Frozen Berries recall became clear. The record date for determining entitlements to the dividend is 22 March 2016 and the payment date proposed is 15 April 2016.

Outlook

We anticipate during 2H16 continued revenue growth from our core Bakery business in both the In-Home and Out of Home sales channels. This will be aided by further brand marketing investment and launches of new products in the Herbert Adam's Slow Cooked, FOUR'N TWENTY Real Chunky and the Patties entertaining range. Our innovation pipeline is on target to deliver further new products and technologies, such as our first to market Sous Vide products.

As we proudly celebrate our 50th year of operations during 2016, our core Bakery business is growing and the Company's future remains bright. With solid customer relationships and growing brands, our employees remain highly engaged as we focus on a single minded Bakery business to deliver improved baseline earnings through sales distribution expansion, product margin improvement, reduced overhead costs and operational efficiency drivers.

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

Steven Chaur
Managing Director and Chief Executive Officer
03 8540 9100

Robin Donohue
Chief Financial Officer
03 8540 9100

About Patties Foods Ltd ABN 62 007 157 182

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 and frozen dessert segments.

Iconic brands in the Patties Foods portfolio include FOUR'N TWENTY, Patties, Herbert Adams, Nanna's 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 meat pie. It is the number 1 branded range of meat pies in Australia across all retail markets including supermarkets, route trade and convenience stores. It is the number 1 selling pie at the footy being available at most major sporting venues in Australia.

Patties is Australia's number 1 branded range of party savoury pastry products and is sold in Australia across all markets including supermarkets, general foodservice, venues and catering. Patties famous Party Pies and Party Sausage Rolls are enjoyed by people of all ages and are a fun, staple snack at any entertaining occasion.

Notes to the Financial table

(1) Frozen Fruit sales revenue reduced by -\$15.0m (-61.7%) to \$9.3m in 1H16 vs. \$24.4m in 1H15

(2) 1H15 reported profit was adjusted for a significant item related to an organisational restructure (\$1.1m pre-tax and \$0.8m post-tax)

(3) EBIT of Frozen Fruit reduced to -\$1.0m in 1H16 vs. \$1.6m in 1H15.

(4) Debt to Equity ratio is calculated as Net Debt divided by Total Equity.

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

(6) Source: Aztec Grocery scan data, Retail Sales Value \$, 12 months MAT to Dec 15

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 2015
Previous corresponding period is the half year ended	31 December 2014

2. Results for announcement to the market

				A\$'000
Revenue from ordinary activities (<i>item 2.1</i>)	down	8.6%	to	126,177
Earnings before interest, tax, depreciation & amortisation (EBITDA)	down	3.1%	to	16,223
Underlying earnings before interest, tax, depreciation & amortisation (EBITDA) ⁽¹⁾	down	9.2%	to	16,223
Earnings before interest and tax (EBIT)	down	4.8%	to	12,117
Underlying earnings before interest and tax (EBIT) ⁽¹⁾	down	12.6%	to	12,117
Net profit (loss) from ordinary activities after tax attributable to members (<i>Item 2.2 & 2.3</i>)	down	11.8%	to	7,256
Underlying net profit (loss) from ordinary activities after tax attributable to members ⁽¹⁾	down	19.5%	to	7,256

(1) H1F15 reported profit adjusted for a non-recurring organisation restructure of \$1,131k pre-tax and \$792k post tax.

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	15 APR 2016	2.7 ^c	2.7 ^c
Previous corresponding period	13 APR 2015	0.0 ^c	0.0 ^c
Record date for determining entitlements to the interim dividend (<i>item 2.5</i>):		22 MAR 2016	
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)	\$0.56	\$0.53
Net asset backing (per share)	\$0.97	\$1.01

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 (8 OCT 2015)	\$6,961	\$5,427
Total dividends paid in period	\$6,961	\$5,427

6. There is currently no dividend reinvestment plan in place

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

	% Holding	2015 A\$'000	2014 A\$'000
Davies Bakery Pty Ltd	50%	\$1,110	\$678

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 2015.

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Patties Foods Limited

ABN 62 007 157 182

**Interim financial statements
for the half-year ended 31 December 2015**

Patties Foods Limited ABN 62 007 157 182
Interim financial statements - 31 December 2015

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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 2015.

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:

Steven C Chaur
 Gregory J Dhnaram
 J Curt Leonard
 Harry (Henricus) J Rijs
 Richard C Rijs
 John P Schmoll
 Mark G Smith

Review of operations

Reported Net Profit After Tax (NPAT) of \$7.256m was down \$0.968m (-11.8%) on the previous corresponding period (pcp). Excluding significant items in 1H15, the Group's underlying Net Profit After Tax was a decrease of 19.5% to \$7.256m. Underlying EBIT (earnings before interest and tax) of \$12.117m was down \$1.740m (-12.6%) on pcp.

The principal drivers of this result were:

- Sales Revenue decreasing by 8.6% from \$138,091,000 in 1H15 to \$126,177,000 in 1H16.
- Core bakery sales grew from \$113.4m to \$116.6m in 1H16, increasing by 2.8%.
- Sales of frozen fruit were down 61.7% from \$24.4m down to \$9.3m in 1H16, leading to the strategic decision to exit the frozen fruit business.

The basic earnings per share were 5.2 cents (1H15:5.9 cents) or on an underlying basis 5.2 cents (1H15: 6.5 cents).

The pro-forma result excluding frozen fruit is;

\$'M	Consolidated (Statutory)			Bakery - excluding Frozen Fruit (Pro Forma)		
	1H16	1H15	% change	1H16	1H15	% change
Net Sales Revenue	125.897	137.804	-8.6%	116.566	113.435	2.8%
EBIT (underlying)	12.117	13.857	-12.6%	13.101	12.219	7.2%

For a reconciliation between the statutory and pro-forma result, refer to note10.

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
 Director

Melbourne
 22 February 2016



Auditor's Independence Declaration

As lead auditor for the review of Patties Foods Limited for the half-year ended 31 December 2015, 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
22 February 2016

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Patties Foods Limited ABN 62 007 157 182
Interim financial statements - 31 December 2015

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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 2015 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 2015 and the corresponding half year to 31 December 2014.

Patties Foods Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2015

		31 December 2015 \$'000	31 December 2014 \$'000
	Notes		
Revenue from continuing operations			
Sale of goods	3	125,897	137,804
Other revenue from ordinary activities	3	280	287
		126,177	138,091
Expenses			
Cost of sales of goods		(84,807)	(91,856)
Distribution		(14,221)	(15,417)
Sales and marketing		(10,745)	(12,173)
Administration		(5,397)	(6,597)
Finance costs	4	(2,412)	(1,762)
Share of net profit of associates accounted for using the equity method		1,110	678
Profit before income tax		9,705	10,964
Income tax expense		(2,449)	(2,740)
Profit from continuing operations		7,256	8,224
Profit attributable for the half-year		7,256	8,224
Other comprehensive income			
Changes in the fair value of cash flow hedges		51	916
Income tax relating to components of other comprehensive income		(15)	(275)
Other comprehensive income for the half-year, net of tax		36	641
Total comprehensive income for the half-year		7,292	8,865
Profit is attributable to:			
Owners of Patties Foods Limited		7,256	8,224
Total comprehensive income for the half-year is attributable to:			
Owners of Patties Foods Limited		7,292	8,865
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9	5.2	5.9
Diluted earnings per share	9	5.2	5.9

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

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Patties Foods Limited
Consolidated balance sheet
As at 31 December 2015

	31 December 2015 Notes	30 June 2015 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	583	664
Receivables	47,464	52,391
Inventories	47,311	49,910
Derivative financial instruments	43	67
Current tax receivables	583	-
Total current assets	95,984	103,032
Non-current assets		
Investments accounted for using the equity method	13,174	12,064
Property, plant and equipment	75,721	76,505
Intangible assets	56,378	56,590
Total non-current assets	145,273	145,159
Total assets	241,257	248,191
LIABILITIES		
Current liabilities		
Payables	19,564	26,778
Borrowings	2,500	2,500
Derivative financial instruments	-	69
Current tax liabilities	-	356
Provisions	4,715	4,872
Total current liabilities	26,779	34,575
Non-current liabilities		
Borrowings	72,700	72,350
Deferred tax liabilities	6,102	6,087
Provisions	233	233
Derivative financial instruments	978	984
Total non-current liabilities	80,013	79,654
Total liabilities	106,792	114,229
Net assets	134,465	133,962
EQUITY		
Contributed equity	5 68,889	68,797
Reserves	6(a) (467)	(583)
Retained earnings	66,043	65,748
Total equity	134,465	133,962

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 2015

	Attributable to owners of Patties Foods Limited				
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	
Balance at 1 July 2014	68,682	(894)	69,356	137,144	
Profit for the half year	-	-	8,224	8,224	
Changes in the fair value of cash flow hedges, net of tax	-	641	-	641	
Total comprehensive income for the half-year	-	641	8,224	8,865	
Transactions with owners in their capacity as owners:					
Value of performance rights	6	77	-	77	
Dividends provided for or paid	7	-	(5,427)	(5,427)	
Employee share scheme issue	5	115	-	115	
		115	77	(5,427)	(5,235)
Balance at 31 December 2014	68,797	(176)	72,153	140,774	
Balance at 1 July 2015	68,797	(583)	65,748	133,962	
Profit for the half year	-	-	7,256	7,256	
Changes in the fair value of cash flow hedges, net of tax	-	36	-	36	
Total comprehensive income for the half-year	-	36	7,256	7,292	
Transactions with owners in their capacity as owners:					
Value of performance rights	6	80	-	80	
Dividends provided for or paid	7	-	(6,961)	(6,961)	
Employee share scheme issue	5	92	-	92	
		92	80	(6,961)	(6,789)
Balance at 31 December 2015	68,889	(467)	66,043	134,465	

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

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Patties Foods Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2015

	31 December 2015 \$'000	31 December 2014 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	141,845	144,241
Payments to suppliers and employees (inclusive of goods and services tax)	(127,363)	(142,637)
Borrowing costs paid	(2,412)	(1,762)
Income taxes paid	(3,406)	(2,945)
Net cash inflow/(outflow) from operating activities	8,664	(3,103)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,110)	(6,643)
Proceeds from sale of frozen berry business	879	-
Interest received	5	8
Net cash (outflow) from investing activities	(2,226)	(6,635)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	92	115
Proceeds from borrowings	51,262	63,225
Repayment of borrowings	(50,912)	(47,975)
Dividends paid to group's shareholders	(6,961)	(5,427)
Net cash inflow/(outflow) from financing activities	(6,519)	9,938
Net increase in cash and cash equivalents	(81)	200
Cash and cash equivalents at the beginning of the financial year	664	84
Cash and cash equivalents at end of half-year	583	284

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

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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 2015 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 2015 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 2015 \$'000	31 December 2014 \$'000
From continuing operations		
Sales revenue		
Sale of goods	125,897	137,804
Other revenue		
Interest	5	8
Other	275	279
	280	287
	126,177	138,091

4 Profit for the half-year

	31 December 2015 \$'000	31 December 2014 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	512	457
Property, plant and equipment	3,382	3,369
Total depreciation	3,894	3,826
Amortisation		
Intangible assets	212	191
Employee Benefits		
Employee benefits expense	23,013	23,036
Finance Costs		
Interest and finance charges paid/payable	2,412	1,762
Rental expense relating to operating leases		
Minimum lease payments	1,017	1,101
Significant items (a)		
Organisational restructuring	-	1,131

(a) Significant Items

Costs associated with an organisational restructure has been classified in the Consolidated statement of comprehensive income as an Administration Expense. It is not included in employee benefits expense above.

In 1H16, there have been no significant items.

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5 Contributed equity

(a) Share capital

	31 December 2015 Shares	30 June 2015 Shares	31 December 2015 \$'000	30 June 2015 \$'000
Ordinary shares				
Ordinary shares - fully paid	139,312,537	139,234,153	68,889	68,797

(b) Movements in ordinary share capital

Date	Number of shares	\$'000
Opening balance	139,234,153	68,797
Employee share scheme issues	78,384	92
31 December 2015 Balance	<u>139,312,537</u>	<u>68,889</u>

(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.

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6 Reserves

(a) Reserves

	31 December 2015 \$'000	30 June 2015 \$'000
Hedging reserve - cash flow hedges	(654)	(690)
Share-based payments reserve	187	107
	(467)	(583)

Movements:

Hedging reserve - cash flow hedges

Opening balance 1 July	(690)	(1,054)
Revaluation - gross	51	519
Deferred tax	(15)	(155)
Balance 31 December	(654)	(690)

Share-based payments

Opening balance 1 July	107	160
Option expense / (gain)	80	(53)
Balance 31 December	187	107

7 Dividends

(a) Ordinary shares

	2015 \$'000	2014 \$'000
Final dividend for the year ended 30 June 2015 of 5.0 cents (2014: 3.9 cents) per fully paid share paid on 8 October 2015 (2014: 8 October 2014) Fully franked based on tax paid @ 30% - 5.0 cents (2014 - 3.9 cents) per share	6,961	5,427

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

In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 2.7 cents per fully paid ordinary share (2015: nil cents). The aggregate amount of the proposed dividend at 31 December 2015, but not recognised as a liability at the end of the half-year, is:

	3,761	-
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8 Commitments

(a) Capital commitments

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

	31 December 2015 \$'000	30 June 2015 \$'000
Property, plant and equipment		
Within one year	1,611	2,171

9 Earnings per share

	Half year	
	2015 Cents	2014 Cents
(a) Basic earnings per share		
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company	5.2	5.9
(b) Diluted earnings per share		
	2015 Cents	2014 Cents
Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	5.2	5.9
(c) Reconciliation of earnings used in calculating earnings per share		
	2015 \$'000	2014 \$'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:	7,256	8,224

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9 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	2015 Shares	2014 Shares
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	139,312,537	139,155,565
Adjustments for calculation of diluted earnings per share:		
Performance rights	108,425	209,372
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	139,420,962	139,364,937

(e) Information on the classification of securities

(i) 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).

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10 Reconciliation between Statutory and Pro forma results

The Company provides the following reconciliation between the statutory result and the pro-forma result that excludes frozen fruit. The basis of preparation for the pro forma frozen fruit result is the specific gross profit contribution and all costs directly attributable to frozen fruit.

The Company have provided pro-forma financial information in the Directors' Report.

Post the Frozen Berry recall in February 2015, the Company continued to closely monitor the frozen fruit category and chose to completely exit the frozen fruit business in December 2015 to concentrate in its core frozen bakery business.

Accordingly to assist users of the financial statements, the Company provides the following financial information;

\$'M	Consolidated (Statutory)			Frozen Fruit (Pro Forma)			Bakery (Pro Forma)		
	1H16	1H15	% change	1H16	1H15	% change	1H16	1H15	% change
Net Sales Revenue	125.897	137.804	-8.6%	9.331	24.369	-61.7%	116.566	113.435	2.8%
EBIT (underlying)	12.117	13.857	-12.6%	-0.984	1.638	-160.1%	13.101	12.219	7.2%

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 17 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 2015 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*.



Mark G Smith
Director

Melbourne

22 February 2016



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 2015, 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 half-year 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 2015 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 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
22 February 2016

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