Patties Foods Ltd
ABN 62 007 157 182

Operations
161-169 Princes Highway
Bairnsdale VIC 3875
PO Box 409
Bairnsdale VIC 3875
Phone: 03 5150 1800
Admin Fax: 03 5152 1135
Sales Fax: 03 5152 1054
info@patties.com.au
www.patties.com.au

Corporate Office
Chifley Business Park
Level 2, 1 Joseph Avenue
Mentone VIC 3194
PO Box 115
Dingley VIC 3172
Phone: 03 8540 9100
Fax : 03 9551 3393
Info@patties.com.au
www.patties.com.au

16 October 2015

Announcements Officer
ASX Limited
South Rialto Tower
525 Collins Street
MELBOURNE VIC 3000

Notice of Annual General Meeting

In accordance with the Listing Rules, I attach the following documents in relation to the 2015 Annual General Meeting that will be sent to shareholders today:

1. Chairman's letter
2. Notice of Annual General Meeting and Explanatory Memorandum
3. Appointment of Proxy
4. Annual Report for 2015 (if elected*)
5. Shareholder Questionnaire

The attached documents will also be made available on our website, www.pattiesfoods.com.au, once released to the market.

Yours sincerely

CLINTON ORR
Company Secretary

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ABN 62 007 157 182

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

16 October 2015

Dear Shareholder,

On behalf of the Board of Patties Foods Limited ("PFL"), it gives me great pleasure to invite you to the ninth Annual General Meeting of PFL to be held at 2.00 p.m. on Thursday, 19 November 2015 in Boardrooms 1 and 2 at Minter Ellison Lawyers, level 23, 525 Collins Street, Melbourne, Victoria 3000.

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

1. Notice of Annual General Meeting and Explanatory Memorandum.
2. Appointment of Proxy.
3. Annual Report for 2015 (if elected*).
4. Shareholder Questionnaire.

If you are unable to attend in person, you are encouraged to vote using the enclosed Proxy form. Please read the Proxy form for instructions about completing the form and returning it by no later than 2.00 p.m. (Melbourne time) on Tuesday, 17 November 2015.

Should you have any questions in relation to the enclosed documents, please contact the share registry, Computershare Investor Services on Ph: 1300 850 505 (within Australia) or +61 03 9415 4352 (outside Australia).

I look forward to meeting as many of you as possible at the annual general meeting.

Yours sincerely,

Mark G Smith

Mark Smith
Chairman

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

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Samples/000001/000002

Patties FOODS

Australia's
Favourite Food

NOTICE OF MEETING 2015

NOTICE IS GIVEN that the 2015 Annual General Meeting of Patties Foods Limited (Company) will be held at 2:00 p.m. (Melbourne time) on Thursday, 19 November 2015 in Boardrooms 1 and 2 at Minter Ellison Lawyers, Level 23, 525 Collins Street, Melbourne, Victoria 3000.

DIRECTIONS

Foot traffic – enter from Collins Street and take lift to Level 23, South Tower Private vehicles – enter Rialto Car Park via Flinders Lane (parking fees apply)

ORDINARY BUSINESS

Receipt of Accounts and Reports

To receive and consider the Company's Financial Report for the financial year ended 30 June 2015, together with the Directors' Report and the Auditor's Report, all of which are contained in the Company's Annual Report. An electronic copy of the Company's Annual Report is available on the Company's website, www.pattiesfoods.com.au.

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

Resolution 1: Adoption of the Remuneration Report

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

"That, for the purpose of section 250R(2) of the Corporations Act, the Company's Remuneration Report for the financial year ended 30 June 2015 is adopted."

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

Resolution 2: Re-election of Mr John Schmoll as a Director

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

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

Resolution 3: Re-election of Mr Curt Leonard as a Director

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

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

SPECIAL BUSINESS

Resolution 4: Approval of the Company's Long Term Incentive Plan

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

"That for the purpose of Exception 9 to ASX Listing Rule 7.1 in ASX Listing Rule 7.2 and for all other purposes, the Patties Foods Limited Long Term Incentive Plan is approved as an exception to ASX Listing Rule 7.1."

Resolution 5: Grant of Performance Rights to Mr Steven Chaur under the Company's Long Term Incentive Plan

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

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to Mr Steven Chaur of 248,571 performance rights to acquire shares in the Company pursuant to the terms of the Patties Foods Limited Long Term Incentive Plan is approved."

Resolution 6: Approval of termination benefits

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

"That for the purposes of section 200B and 200E of the Corporations Act, approval is given to the giving to the Managing Director and the senior executives of the Company referred to in the Explanatory Memorandum accompanying and forming part of the notice of this meeting of the benefits in connection with retirement from office or position of employment in the Company or a related body corporate, details of which are set out in that Explanatory Memorandum."

By order of the Board

Mr Clinton Orr
Company Secretary
16 October 2015

VOTING BY PROXY

A PROXY FORM is enclosed with this Notice of Meeting

- A member entitled to attend and vote at the Annual General Meeting ("AGM") may appoint a proxy. A form for the appointment of a proxy is enclosed with this Notice of AGM.
- A member entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes (any fractions will be disregarded).
- If a member appoints two proxies, neither may vote on a show of hands.
- A proxy may be an individual or a body corporate.
- A person appointed as proxy need not be a member of the Company.
- To be valid, the proxy form and the power of attorney or other authority (if any) under which it is signed, or a certified copy of any such power of attorney or other authority, must be:
  - deposited at the Share Registry of the Company, Computershare Investor Services Pty Ltd located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067;
  - received by post to the Share Registry of the Company, Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne Victoria 3001;
  - successfully transmitted by facsimile to the Share Registry of the Company on 1800 783 447 (within Australia) or +61 3 9473 2555;
  - for online voting, refer to www.investorvote.com.au;
  - relevant custodians may lodge their proxy forms online by visiting www.intermediaryonline.com; or
  - deposited at or received by post to the registered office of the Company, at 161–169 Princes Highway, Bairnsdale, Victoria 3875,

  not less than 48 hours before the commencement of the meeting or any resumption of the meeting following an adjournment.

CORPORATE REPRESENTATIVES

- A body corporate appointed as a proxy will need to appoint a representative to exercise the powers that body corporate may exercise as the member's proxy pursuant to section 250D of the Corporations Act. If a representative of a corporate member or proxy is to attend the meeting, a certificate of appointment of the representative must be produced prior to admission to the meeting.
- The form of a certificate of appointment can be obtained from the Share Registry of the Company, Computershare Investor Services Pty Ltd by visiting www.investorcentre.com under the help tab, "Printable Forms".

VOTING ENTITLEMENTS

- The Directors have determined that the Shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the AGM will be as it appears in the share register of the Company, as held by Computershare Investor Services Pty Ltd, as at **7:00 p.m. (Melbourne Time) on Tuesday, 17 November 2015**.

  Transactions recorded after that time will be disregarded in determining Shareholder entitlements to attend and vote at the AGM.

Voting exclusions and restrictions

Resolution 1: Adoption of the Remuneration Report

The Company will disregard any votes cast on Resolution 1 by or on behalf of:

- a member of the Company's key management personnel, details of whose remuneration are included in the Company's Remuneration Report (**"KMP"**); or
- a closely related party of a KMP,

whether the votes are cast as a shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast by a KMP or closely related party of a KMP if:

- the vote is cast as a proxy;
- either:
  - the proxy is appointed by writing that specifies how the proxy is to vote on Resolution 1; or
  - the proxy is the chairman of the meeting and the proxy appointment:
    - does not specify the way the proxy is to vote on the resolution; and
    - expressly authorizes the chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company's consolidated entity; and
- the vote is not cast on behalf of a KMP or a closely related party of a KMP.

If you are a member of the KMP or a closely related party of a member of the KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as described above), you may commit an offence by breaching the voting restrictions that apply to you under the Corporations Act.

A closely related party of a member of the KMP means any of the following:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependant of the member or of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- a company the member controls.

Resolutions 4 and 5: Approval of Long Term Incentive Plan and grant of performance rights to Mr Steven Chaur

The Company will disregard any votes cast on Resolution 4 or 5 by:

- Mr Steven Chaur (being the only director of the Company eligible to participate in the Patties Foods Limited Long Term Incentive Plan); and
- An associate of Mr Steven Chaur.

However, the Company need not disregard a vote on Resolution 4 or 5 if:

- it is cast by a person as proxy for a person entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the chairman of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides, even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company's consolidated entity.

Resolution 6: Approval of termination benefits

The Company will disregard any votes cast on Resolution 6 by:

- Mr Steven Chaur; or
- any senior executive of the Company in respect of whom benefits are the subject of Resolution 6 (Relevant Executive); and
- any associate of any of the above persons.

However, the Company need not disregard a vote on the Resolution if:

- it is cast by a person as a proxy for a person who is entitled to vote appointed by writing that specifies how the proxy is to vote on the Resolution; or
- it is cast by the chairman of the meeting as proxy for a person who is entitled to vote and the proxy appointment expressly authorizes the chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company's consolidated entity.

APPOINTING THE CHAIRMAN OF THE MEETING AS PROXY

The proxy form accompanying this Notice contains detailed instructions regarding how to complete the proxy form if a shareholder wishes to appoint the Chairman as his or her proxy. You should read those instructions carefully.

By appointing the chairman of the meeting as your proxy in relation to Resolution 1, 4, 5 or 6 you expressly authorise the chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company's consolidated entity.

The chairman of the meeting intends to exercise all available proxies by voting in favour of all resolutions.

EXPLANATORY MEMORANDUM TO THE NOTICE OF ANNUAL GENERAL MEETING

This Explanatory Memorandum accompanies and forms part of the notice of meeting dated 16 October 2015 (**"Notice"**).

Ordinary Business

Consideration of Accounts and Reports

The Corporations Act requires the Financial Report, the Directors' Report and the Auditor's Report (together, **"Reports"**) to be considered at the AGM. There is no requirement in the Corporations Act or the Constitution for Shareholders to vote on, approve or adopt the Reports.

Shareholders will have a reasonable opportunity at the AGM to ask questions about or make comments on the Reports and on the business, operations and management of the Company.

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

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

All such written questions for the Auditor must be submitted by returning the enclosed "Questions from Shareholders" Form by no later than **5:00 p.m. on 12 November 2015** (pursuant to section 250PA of the Corporations Act). The enclosed Form sets out the details regarding how the Form should be submitted to the Company's Share Registry, Computershare Investor Services Pty. Ltd.

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

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

Resolution 1: Adoption of the Remuneration Report

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

The vote on Resolution 1 is advisory only and does not bind the Directors of the Company or the Company. However, if at least 25% of the votes cast on the resolution are against adoption of the Remuneration Report at the meeting, then:

- if comments are made on the Remuneration Report at the AGM, the Company's remuneration report in respect of the financial year ending on 30 June 2016 will be required to include an explanation of the Board's proposed action in response to those comments or, if no action is proposed, the reasons why; and
- if, at the Company's annual general meeting in 2016, at least 25% of the votes cast on the resolution for adoption of the remuneration report are against its adoption, the Company will be required to put to Shareholders a resolution proposing that a general meeting (**Spill Meeting**) be held within 90 days to consider the election of directors of the Company (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the 2016 annual general meeting. If more than 50% of the votes cast on the Spill Resolution are in favour of the Spill Resolution, the Spill Resolution will be passed and all of the directors in office at the 2016 annual general meeting (other than the managing director) will cease to hold office immediately before the end of the Spill Meeting, unless they are re-elected at the Spill Meeting.

The Remuneration Report forms part of the Directors' Report, contained in the Annual Report. Each of the Directors recommends the Remuneration Report to Shareholders for adoption.

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

Resolution 2: Re-election of Mr John Schmoll as a Director.

The Constitution provides that if the Company has 3 or more Directors, one third of Directors (rounded down to the nearest whole number and excluding the Managing Director) must retire at each AGM of the Company. As at the date of this Explanatory Memorandum there are 7 incumbent Directors, 2 of whom, other than the managing director, must retire (and are eligible for re-election) at this AGM.

The 2 retiring Directors are Messrs John Schmoll and Curt Leonard each of whom is standing for re-election at this AGM.

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

Mr John Schmoll was Chief Financial Officer of Coles Myer Ltd until his retirement from that role in 2002. He was a director of Breville Group Ltd for 9 years, including 7 years as Chairman, until his retirement as a director in 2013. Since 2005, Mr John Schmoll has been a Non-Executive Director of Oroton Group Ltd and in 2013 was appointed Chairman. Mr John Schmoll previously served as a Non-Executive Director and chairman of the audit committee of AWB Ltd, Australian Leisure and Hospitality Group Ltd, Golden Circle Ltd and Chandler Macleod Ltd.

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

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

Resolution 3: Re-election of Mr Curt Leonard as a Director.

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

Mr Curt Leonard has been a non-executive director of the Company since 2003, he has over 31 years experience working with the Mars Group, including General Manager of Mars Confectionery, Managing Director of Uncle Bens and Managing Director of Mars Australia and New Zealand. Mr Leonard served as President, Asia Pacific of all Mars business and Director of the Managing Board of Mars Incorporated global business.

Mr Curt Leonard previously served as a non-executive director of Select Harvests Limited from 2004 until 2008, and served as chairman of Select Harvests Limited from 2008 until 2012.

Since being appointed as a Director of Patties Foods Limited, Mr Curt Leonard has the special responsibility as a Member of the remuneration and nomination committee.

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

Special Business

Resolution 4: Approval of the Company's Long Term Incentive Plan

Resolution 4 is proposed for the purpose of Exception 9 in ASX Listing Rule 7.2.

If Resolution 4 is passed, this will have the effect that any securities (that is options or performance rights) granted under the Long Term Incentive Plan ("Plan") after the date the Resolution is passed will not be counted for the purpose of the Company's 15% security placement limit under ASX Listing Rule 7.1.

In brief, Listing Rule 7.1 prohibits a listed company from issuing shares or other securities such as options or rights in excess of 15% of its existing shares unless an exception applies. The effect of the passing of Resolution 4 is that any grant of rights or options under the Plan in the period of 3 years after the Resolution is passed will be excepted from the 15% limit. The Resolution will apply to the performance rights proposed to be granted under the Plan to Mr Steven Chaur, but will not apply to the performance rights granted in September 2015 to the Relevant Executives.

The Plan has been in place since the Company's listing on ASX in 2006 and was approved for the purpose of Exception 9 at the Company's AGM in November 2012. A total of 713,757 performance rights have been granted under the Plan to the Relevant Executives in September 2015 which remain outstanding, including the 248,571 performance rights proposed to be granted to Mr Steven Chaur subject to the passing of Resolution 5. 1,151,263 performance rights have been granted under the Plan which remain outstanding.

A summary of the terms of the Plan is as follows.

General

The Plan is intended to retain and motivate the Company's management team.

Under the Plan, the Board has the discretion to grant options and performance rights to Eligible Employees (which includes executive Directors) of the Company or a related body corporate.

Both options and performance rights give a participant in the Plan a right to acquire shares in the Company subject to the achievement of both time based and performance based vesting conditions, with options requiring the payment of an exercise price to acquire the shares and a performance right not requiring the payment of an exercise price.

The Board has the discretion to amend the rules of the Plan but not so as to reduce the rights of participants, except where necessary to correct obvious errors or mistakes or to comply with legal requirements or where agreed by the participant.

Awards under the Plan are made at the Board's discretion.

Eligibility

The rules allow for offers under the Plan to be made to any employee of the Company or a related body corporate, including executive directors, or such other person as the Board determines. However, it has been the case and it is currently intended to continue to be the case that participation in the Plan will only be offered to the Company's leadership team.

Grant of options and rights

Options and rights may be granted under the Plan subject to vesting conditions, including time and performance based hurdles.

The Board determines the details of the vesting conditions attaching to options and rights under the Plan prior to offers of participation being made. Options or rights will only vest (under normal circumstances) upon satisfaction of the time and performance based vesting conditions. If those conditions are not met, the options or rights will generally expire and not be capable of exercise.

No amount is payable on the grant of options or performance rights offered under the Plan.

Delivery of shares

Shares in the Company will be delivered to participants upon exercise of vested options or performance rights. On exercise, the Company may deliver shares by new issue or by purchasing shares on market for transfer to participants. The exercise price of the options is determined by reference to the 5 day volume weighted average price of shares in the Company as traded on ASX in the 5 days up to and including the date of grant. No exercise price is payable on the exercise of performance rights.

Change of control

On a change of control of the Company, the board has discretion to waive the vesting conditions applicable to unvested options and rights, subject to such terms and conditions as it determines.

Cessation of employment

If a participant holding fully vested options ceases employment with the Company or a related body corporate (other than in the case of fraud, defalcation or gross misconduct), then to the extent permitted by the termination benefits provisions of the Corporations Act, participants will have a period of 30 days from employment ceasing in which to exercise the options. Any options not exercised within this period will expire unless the Board in its absolute discretion determines otherwise.

If a participant ceases to be employed by the Company or a related body corporate, for reason of death, permanent disability, redundancy, retirement or any other reason at the discretion of the Board, before vesting, the Board has the discretion to determine, subject to the termination benefits provisions of the Corporations Act, whether any unvested options or performance rights can be exercised subject to such terms and conditions as it determines.

Where the employment ceases for any other reason, entitlement to any unvested options or performance rights will ordinarily expire on cessation of employment.

Plan limits

Issues of shares on exercise of options or performance rights granted under the Plan will be subject to a cap of 5% of the issued share capital of the Company, inclusive of shares that may be issued under other employee incentive schemes of the Company for employees and non-executive directors, but disregarding offers made outside of Australia, made under a prospectus or other disclosure document or which do not require a disclosure document.

Expiry of options and performance rights

Unless otherwise determined by the Board in its discretion, options and performance rights which have not been exercised will expire and cease to exist on the expiry date specified at the date of grant or upon the Board making a determination that the options or performance rights are to be forfeited.

Restrictions on shares and forfeiture conditions

Options, and performance rights and shares delivered on exercise, may be subject to forfeiture (subject to lifting at the discretion of the Board) if a participant commits any act of fraud, defalcation or gross misconduct in relation to the Company or a related body corporate. Shares delivered on exercise may be subject to disposal restrictions (subject to removal at the discretion of the Board).

Hedging economic exposure prohibited

Without limiting the prohibitions in Part 2D.7 of the Corporations Act (ban on hedging remuneration of key management personnel), the terms of the Plan prohibit entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under the Plan.

Interaction with securities trading policy

The exercise of any options or performance rights is timed so that they do not occur during any closed period under the Company's securities trading policy.

Previous grants under the Plan

The number of securities issued under the Plan since the date of the last approval in 2012 is:

- 1,828,757 performance rights,

of those 677,494 performance rights have lapsed, and 1,151,263 performance rights remain outstanding as at the date of the notice of meeting.

Resolution 5: Grant of Performance Rights to Mr Steven Chaur under the Company's Long Term Incentive Plan

ASX Listing Rule 10.14 provides that the Company must not permit a Director or an associate of such a Director to acquire securities under an employee incentive scheme without prior approval of Shareholders. Accordingly, approval is sought pursuant to Listing Rule 10.14 for the grant of 248,571 performance rights (**Rights**) to Mr Steven Chaur on the terms of the Company's Long Term Incentive Plan (**Plan**).

Key terms of performance rights

The key terms of the Rights proposed to be granted to Mr Steven Chaur are as follows:

1. Share entitlement

Absent any restructure of the Company's share capital, each Right confers the right on vesting, to one fully paid ordinary share in the Company.

2. Consideration for the Rights

The Rights will be granted for nil consideration.

3. Vesting

The relevant number of Rights will be tested following the end of the Performance Period 1 July 2015 to 30 June 2018, and vest to the extent that the Performance Hurdles have been satisfied and also subject to continued employment with the Company.

4. Performance Hurdles

Vesting of the Rights is dependent on two discrete performance measures:

- EPS representing 50% of the total grant; and
- TSR representing 50% of the total grant.

5. Vesting Schedule

5.1 EPS Vesting Schedule

EPS (basic earnings per share on a normalised basis) performance of the Company will be measured on a compound annual growth in EPS of the Group over the relevant 3 year Performance Periods stated as a percentage (**EPS Growth Percentage**). If the EPS Growth Percentage over the relevant Performance Period is:

(a) less than 8% per annum, no Rights subject to the EPS performance measure (**EPS Rights**) will vest;

(b) 8% per annum, 50% of the EPS Rights will vest;

(c) 12% per annum or more, 100% of the EPS Rights will vest; or

(d) greater than 8% per annum but less than 12% per annum, the number of EPS Rights that vest will be determined proportionately on a straight line basis from 50% to 100%.

The Board may in its discretion adjust the required EPS Growth Percentage to take into account events including without limitation, acquisitions or disposals of businesses or capital assets by the Company during the Performance Period.

5.2 TSR Vesting Schedule

TSR of the Company will be measured against selected companies within the "Consumer Staples" GICS Sector, "Food and Staples" GICS Industry Group and "Food, Beverage and Tobacco" GICS Industry Group with a market capitalisation relevant to Patties' market capitalisation at the grant date. The Board may in its discretion adjust the comparator group to take into account events including without limitation takeovers, mergers, delistings or demergers that occur during the Performance Period. If relative TSR performance of the Company against the comparator group is:

(a) below median performance, no Rights subject to the TSR performance measure (**TSR Rights**) will vest;

(b) at median performance, 50% of the TSR Rights subject to TSR will vest;

(c) above median performance but below the 75th percentile, an additional 2% (or part thereof) of the TSR Rights will vest for each 1 percentile increase (or part thereof) above the 50th percentile; or

(d) at or above the 75th percentile, 100% of the TSR Rights will vest.

6 Other information

To date, the persons who are entitled to participate in the Long Term Incentive Plan include employees of the Company or a Related Company, including executive Directors, or such other person as the Board, in its discretion, determines.

Mr Steven Chaur is the only current director of the Company who has been offered performance rights under the Plan. No other director of the Company is an executive director and therefore currently eligible to participate in the Plan.

No directors have received performance rights under the Plan since the Plan was last approved on 22 November 2012.

No loan is proposed in connection with the acquisition of the Rights.

Subject to this resolution being passed, the Rights to be granted to Mr Steven Chaur will be granted shortly after the date of this meeting. If the Rights are granted in accordance with the resolution, the Company will record the effective date of grant of the Rights for reporting purposes as 30 September 2015.

Resolution 6: Approval of termination benefits

Introduction

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if the giving of the benefit is approved by shareholders or an exemption applies.

Approval is sought in respect of the 248,571 Rights proposed to be granted to Mr Steven Chaur and the following Relevant Executives who were granted the following number of performance rights under the Plan in September 2015:

- Denis Gerrard – 98,209
- Jeff Pentney – 81,734
- Stuart Smyth – 70,560
- Bethaney George – 78,459
- Greg Wharton – 70,408
- Steve Beauchier – 65,816

Accelerated vesting of performance rights

Consistent with the Plan there are, subject to any necessary shareholder approval, certain vesting acceleration events applicable to the Rights proposed to be granted to the Managing Director and granted to the Relevant Executives on certain types of termination of employment, excluding resignation or dismissal for cause, (in which event the performance rights lapse) as well as on certain changes of control of the Company (**Acceleration Event**).

Upon the happening of an Acceleration Event, regardless of the time and performance hurdles otherwise applying under the Plan, accelerated vesting of the Rights may occur. The number of Rights that vest will be determined by the board in its discretion taking into account:

(a) the elapsed relevant performance period as at the date of cessation of employment; and

(b) the extent to which the relevant performance hurdles have been satisfied as at the date of cessation.

The Corporations Act may (in general terms) prohibit the Company from providing the benefit of Shares on the accelerated vesting of Rights granted or to be granted to the Managing Director and the Relevant executives following an Acceleration Event (the value of that benefit being the **Acceleration Benefit**). The value of the Acceleration Benefit, when combined with the Managing Director's and Relevant Executive's existing termination benefits (**Existing Benefits**) payable in cash, may cause the combined termination benefit (including the Acceleration Benefit and Existing Benefits) to exceed the limit permitted under the Corporations Act without shareholder approval. Broadly the limit is prescribed as the average annual base salary of the Relevant Executive.

Approval is sought for Acceleration Benefits for 3 years

Approval in relation to Acceleration Benefits will apply in relation to options and performance rights granted under the Plan to the Managing Director and Relevant Executives prior to the date Resolution 6 is passed and any other rights or options granted under the Plan in the period ending on the 3rd anniversary of that date.

This period is intended to align with the period in which approval of the Plan through the passing of Resolution 4 is effective for the purposes of providing an exception to the 15% placement limit in Listing Rule 7.1.

Approval is also being sought for the following Existing Benefits

In addition to shareholder approval of Acceleration Benefits for the Managing Director and Relevant Executives shareholder approval is also being sought under sections 200B and 200E of the Corporations Act for any Existing Benefits that may be provided under the relevant employment agreement. These are in addition to any payments or benefits that may be provided which are exempted from the operation of section 200B such as statutory entitlements to accrued annual and long service leave, any amounts required to be paid by law and certain deferred bonuses.

Resolution 6 is proposed to obtain shareholder approval to provide the Managing Director and each Relevant Executive termination benefits comprising both the Acceleration Benefits and the Existing Benefits.

Existing Benefits are not new benefits

Note, the only new benefits for which approval is being sought are the Acceleration Benefits. The Existing Benefits are not new benefits. No change to the underlying employment arrangements or individual entitlements is being proposed. The approval sought in relation to the Existing Benefits is in relation to the Company's existing contractual obligations to the Managing Director and each of the Relevant Executives, and to enable the Company to operate its remuneration program for its key management personnel.

The Existing Benefits are described in the Company's remuneration report.

If Resolution 6 is passed, what can the Company do?

If Resolution 6 is passed it will give the Company authority to issue or cause the transfer of shares on the exercise of any vested Options or performance rights that the Managing Director or any Relevant Executive may hold upon an Acceleration Event, even if the value of the associated Acceleration Benefit, when combined with their existing termination benefits (if any) exceeds their average annual base salary remuneration. It will also enable the Company to provide Existing Benefits to the Managing Director and Relevant Executive consistent with their existing contractual entitlements even in excess of the limit that would otherwise apply.

What is the Board's recommendation?

The Board considers the proposing of this Resolution to be appropriate and reasonable and recommends that all eligible shareholders vote in favour.

Maximum benefit payable

Resolution 6 has been proposed to deal with Acceleration Benefits in respect of the Rights granted or to be granted to the Managing Director and Relevant Executive under the Plan prior to the date Resolution 6 is passed and for the period commencing on the date when the Resolution is passed and ending on the third anniversary of that date, as well as Existing Benefits in accordance with existing contractual arrangements.

The value of any Acceleration Benefit and any Existing Benefit cannot currently be ascertained as at the date of this Explanatory Memorandum. The details of the Acceleration Benefits and Existing Benefits for which approval is sought are as follows:

Description of benefit	Manner in which value to be calculated	Matters, events and circumstances that will, or are likely to, affect the calculation of value
Existing Benefits As described in the 'Service Contracts' section of the remuneration report the Managing Director and the Relevant Executive are employed pursuant to employment agreements under which the Company may make a payment in lieu of notice.	By the Company by reference to the base salary at the date of termination and the amount of notice given or payment in lieu of notice.	The circumstances of termination of employment. Base salary at termination. The amount of notice given or payment in lieu of notice.
Acceleration Benefits Vesting of granted Options or rights if the Managing Director or Relevant Executive ceases employment, or is no longer in office with the Company, prior to the end of the Performance Period due to an Acceleration Event.	The Company will calculate the value of this benefit as being equal to the value of each of the Options or rights that vest, where that value is determined as being equal to the closing market price of a Share on ASX on the ASX trading day before the date of the calculation, less (in the case of options) the exercise price of the vested Options.	(a) The number of Options or rights held by the Managing Director or Relevant Executive prior to cessation of employment or loss of office with the Company. (b) The amount of time that has elapsed by the date that employment or office ceases. (c) The extent to which the relevant performance hurdles have been satisfied by the date that employment or office ceases. (d) The closing market price of Shares on ASX on the ASX trading date before the date of calculation. (e) In the case of Options, the exercise price of the Options.

Australia's
Favourite Food

www.pattiesfoods.com.au

Patties Foods Ltd
ABN 62 007 157 182

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

Lodge your vote:

Online:
www.investorvote.com.au

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

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

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(within Australia) 1300 850 505
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Proxy Form

XX

Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 2:00pm (Melbourne time) Tuesday 17 November 2015

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

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

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

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

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

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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

☐ **the Chairman of the Meeting** **OR** ____________________

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Patties Foods Limited to be held in Boardrooms 1 and 2 at Minter Ellison Lawyers, level 23, 525 Collins Street, Melbourne, Victoria 3000 on Thursday,19 November 2015 at 2:00pm (Melbourne time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1, 4, 5 and 6 (except where I/we have indicated a different voting intention below) even though Items 1, 4, 5 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 4, 5 and 6 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

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

		For	Against	Abstain
Item 1	Adoption of the Remuneration Report	☐	☐	☐
Item 2	Re-election of Mr John Schmoll as a Director	☐	☐	☐
Item 3	Re-election of Mr Curt Leonard as a Director	☐	☐	☐
Item 4	Approval of the Company's Long Term Incentive Plan	☐	☐	☐
Item 5	Grant of Performance Rights to Mr Steven Chaur under the Company's Long Term Incentive Plan	☐	☐	☐
Item 6	Approval of termination benefits	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

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

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

Contact Name ____________________ Contact Daytime Telephone ____________________ Date / /

Patties FOODS

Australia's
Favourite Food

How we're making a good company great

ANNUAL REPORT 2015

Annual General Meeting

The 2015 Patties Foods Ltd Annual General Meeting will be held at 2.00 p.m. on Thursday, 19 November 2015 in Boardrooms 1 and 2 at Minter Ellison Lawyers, level 23, 525 Collins Street, Melbourne, Victoria 3000.

Game changing

Successful launches of innovative new products across all brands including installing the latest new sous vide (or slow cooked) technology for our Herbert Adam's Slow Cooked and FOUR'N TWENTY Real Chunky range, placing us at the forefront of innovation in our category.

Being the best

Patties Foods Limited continues to invest in marketing and manufacturing technology for its icon brands and deliver improved manufacturing efficiencies, lower conversion costs and the highest quality food products.

Contents

Growth is on the menu

Over the coming 12 months, our strategy remains focused on delivering profitable growth; expanding our savoury business; continuing to optimise our cost base and; delivering further efficiency gains from our Bairnsdale bakery.

Chairman's Review

Mark Smith
Chairman

In the 2015 financial year, Patties Foods Ltd (PFL) performed solidly, despite the significant impact of the Frozen Berries recall. The recall was the primary reason for the approximate $14.6m reduction in net profit after tax compared with the previous year. However, it is important to note that total company revenue grew by +3.7% despite the effects of the frozen berries recall, which indicated that the savoury business performed solidly with all core brands growing revenue and profit. This positive result was driven by more effective marketing, product and manufacturing innovation, channel focus and expense control.

Net Profit After Tax (NPAT) for FY15 was $2.1m vs $16.7m in FY14 after taking a non cash impairment charge of $10.3m against the Frozen Fruit intangible assets and an inventory provision against slow moving fruit of $3.0m. Importantly, the underlying NPAT of $15.4m was in line with market guidance provided in June 2015 of approximately $15.0m.

A more comparable underlying NPAT of approximately $17.0m versus $16.7m in FY14 would have been achieved, after allowing for the reduced margin from the lower post recall sales of Frozen Fruit in the second half.

There was no interim dividend paid due to caution around the financial impacts of the frozen berries recall at the time. The total dividend per ordinary share for FY15 is 5.0 cps (FY14: 7.1 cps) representing an underlying pay-out ratio of 45% (FY14: 59%).

Safety Culture is a top priority, and the Board is pleased with progress in 2015 of the safety and injury management strategies that were implemented throughout the business.

Our refreshed Strategic Growth Roadmap was implemented in 2015, which has at its centre, the drive for sustainable growth of our core brands and a rigorous focus on productivity improvements and cost control. A major company reorganization delivered in excess of $3m savings in overheads and was able to deliver over $2.8m in further operational and purchasing savings.

Patties Foods, with its sound business fundamentals and stable of iconic market leading brands, remains focused on driving earnings growth and building shareholder value. We continue to invest in people, safety, innovation and technology, and leverage our strong manufacturing, marketing, sales and distribution capability to drive growth for our core brands.

Our focus on driving for growth is evident with our core brands growing sales revenue versus the year prior: FOUR'N TWENTY (+5.1%), Patties (+7.6%), Herbert Adam's (+11%) and Nanna's sweet pastry products (+19%).

There were successful launches of innovative new products across all brands including installing the latest new sous vide (or slow cooked) technology for our Herbert Adam's Slow Cooked and FOUR'N TWENTY Real Chunky range, placing us at the forefront of innovation in our category.

The effect of the frozen berries recall on Frozen Fruit sales and substantial increases in beef prices on inventory resulted in the net debt to equity ratio increasing to 54.7% at 30 June 2015 (47.5 % at 30 June 2014) with total cash flow generated from operations in FY15 reducing to $5.3m. Accordingly, Net Debt increased by $10.5m to $74.2m (30 June 2014 $63.7m).

The Patties Board each contribute their diverse skills and great depth of relevant business experience, together with a strong commitment to Patties high performance values and strong Corporate governance. I would like to thank all Directors for their contribution.

On behalf of the Board, I would like to thank our Managing Director and CEO, Steven Chaur, along with the Management team, and all of our employees for their commitment, team work and collaboration. I would also like to commend the PFL team for their professional handling of the many challenges associated with the Frozen Berries recall.

A special thank you to all stakeholders and, in particular, our shareholders for their support.

On behalf of my fellow Directors, we all very much look forward to welcoming you at the Annual General Meeting in November.

Managing Director and CEO's Report

Steven Chaur
Managing Director and
Chief Executive Officer

FY15 was a very challenging year for Patties Foods Limited, as a result of the highly publicised national frozen berries recall and substantial increases in beef prices.

Despite these pressures, the company has proactively worked to help mitigate any long-term effects and focus on driving its core savoury business, which continues to perform solidly and has gained profitable market share in all key sales channels.

During the year, the company pursued its 3-Stage rebuilding program and through its first "Restore Basic Operating Conditions" stage, the company;

- delivered a major company reorganisation which resulted in excess of $3.0M in overhead savings and a further $2.8M in operational and purchasing savings to help offset the significant impact in beef costs
- In the In-Home channel, PFL grew at +7.6% in sales revenue, all our core savoury brands grew in market share assisted by improved shelf ranging and promotional effectiveness.
- In the Out of Home channel, PFL won major accounts nationally with branded savoury products in the Petrol & Convenience, End Users and major Distributor channels.
- Was able to mitigate substantial market increases in beef prices through more effective procurement, wholesale price increases and forward purchasing. This however resulted in higher levels of short term inventory and debt over the past year.
- Was able to manage and contain the impact of the Frozen Berries recall with customers, consumers, suppliers and regulatory authorities, whilst continuing to focus on growing our core Savoury business.

Our Bairnsdale bakery continues to progress toward best in class on product quality, reliability and operational efficiency through new and experienced bakery leadership; engineering and automation improvements and; two successfully commissioned major capital projects.

Our sales focus remains on delivering profitable sales relationships and channel mix; improving promotional cost effectiveness; seeking new opportunities in the Grocery and Out of Home channels and; accelerating our 'fewer-bigger-better' innovation pipeline through new technologies and premium savoury products.

Further highlights for the year were:

- We invested an additional $1.6m in brand support, mainly in FOUR'N TWENTY brand activation and assisting the successful launch of innovative new savoury products.
- The Company grew its total share of the key Petrol and Convenience channel and; won the AACS 'National Supplier of the Year' in this growing 'Food on the Go' channel.
- Accelerated Continuous Improvement programs at the Bairnsdale Bakery with a strong emphasis on savoury manufacturing excellence, including the successful installation of a new Pie Line 2 tunnel oven and in-house Sous Vide cooking technologies.

Patties Foods Limited remains a vibrant Australian food company with strong growth prospects derived from a multiple sales channel business model, category leading brands and supported by a best-in-class automated bakery operation in East Gippsland.

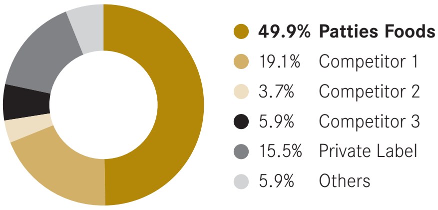
Over the coming 12 months, our strategy remains focused on delivering profitable growth; investing in our icon brands; expanding our savoury business; continuing to optimise our cost base and; delivering further efficiency gains from our Bairnsdale bakery.

I take this opportunity to thank our board and management team for their professionalism, energy and focus during the difficult past twelve months. I would also like to thank all our hard working and skilled team of employees who continue to make a difference every day.

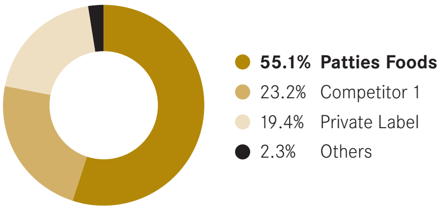
Earnings Summary

$m	June 15	June 14	+/-
Net Sales Revenue	256.9	247.7	+9.2
Cost of Goods sold	172.1	161.2	+10.9
Gross margin	84.8	86.5	-1.7
Operating expenses	52.5	52.6	-0.1
EBITDA (underlying)	32.3	33.9	-1.6
Depreciation & Amort.	8.4	7.9	+0.5
EBIT (underlying)	23.9	26.0	-2.1
Interest	3.7	3.7	+0.1
NPBT (underlying)	18.8	22.4	-3.6
Tax	3.4	5.7	-2.3
NPAT (underlying)	15.4	16.7	-1.3
Significant items (after tax)	13.4	0.0	+13.4
NPAT (reported)	2.1	16.7	-14.6
EPS	1.5	12.0	-10.5
EPS (underlying)	11.1	12.0	-0.9
ROE (underlying)	11.4%	12.4%	-0.3%
Net Asset Backing (cents)	96	99	-2
DPS (cents)	5.0	7.1	-2.1

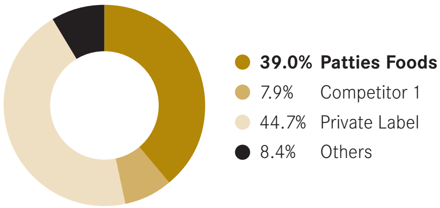
Grocery Frozen Savoury Market Share % FY15



Grocery Frozen Dessert Pies Market Share % FY15



Grocery Frozen Fruit Market Share % FY15



Exciting Innovation

No. 1 Savoury Brand

Patties Foods' strength continues to be in Savoury pastry products. It maintains its branded leadership at 49.9% in a competitive grocery market as consumers continue to expect high quality, great value products with Patties.

Growing Sales revenue by +7.6%, all core savoury brands grew in market share; assisted by improved shelf ranging and promotional effectiveness.

Our iconic FOUR'N'TWENTY brand continues to hold its position as the number 1 brand in the savoury category nationally. The Herbert Adams brand brings exciting innovation to the channel with the installation of a sous vide technology at the bakery leading to the launch of the premium Herbert Adams' slow cooked range.

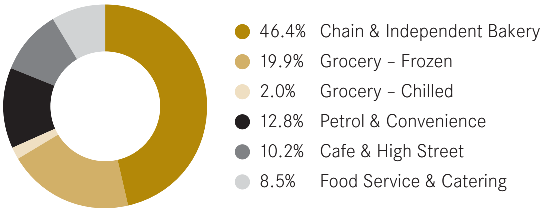
Market leader with 55% share

Nanna's remains the market leader in the fruit pie segment with a strong 55.1% share in a segment growing at +3.0%. A packaging re-launch for Nanna's and new products helped deliver growth in FY15.

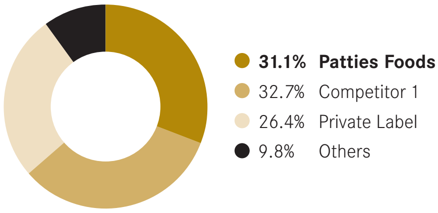
Patties Foods continues to actively participate in the Frozen Fruit category and as the Australian market slowly recovers, the Company will monitor and review progress. The Frozen Fruit business represents approximately 13% of PFL income and less of earnings before interest and tax (EBIT).

Patties Foods is a well-regarded national supplier into the dynamic supermarket channel through national core ranging, Shopper Insights, new to category innovation and field support capabilities to ensure continued market growth by attracting more consumers to the freezer section to buy our iconic Australian brands.

Australian Savoury Market Value $M 2015 (est.)



Petrol & Convenience Hot Savoury Market Share % FY15



The Out of Home channel remains a focus for profitable future company growth.

Patties Foods estimates the Australian Market for savoury pastries at over $1.4Bn in retail sales with supermarkets having a 20% share of this total savoury pastry market. This presents significant growth potential for PFL.

The Out of Home channel has over 100,000 end users spread across multiple channels including P&C (Petrol and Convenience), Catering, Stadiums, Education, Aged Care, Cafes, local bakeries, Pubs and Clubs, Travel, traditional route and restaurants.

Patties Foods has well-known brands that cater for all the Out of Home customer needs. Our FOUR'N'TWENTY brand is the favourite brand in major stadiums around Australia. Eating a FOUR'N'TWENTY pie whilst watching the footy is an Australian tradition. FOUR'N'TWENTY continues to be the national market leader in innovation with the launch of FOUR'N'TWENTY Real Chunky range, which has the tenderest chunks of slow cooked meat of any nationally supplied pie in the market.

The Patties brand of party pies and party sausage rolls continue to be a favourite in the Catering channel. At any function, the party pies is always first to be consumed. Our savoury pies, sausage rolls and pasties are favourites in café's and Bakeries due to our consistent high service, supported by a national team of dedicated sales people.

Patties Foods (PFL) remains the market leader in the P&C channel with a total brand share of 31.1% and has a total market share of 53.3% with PFL brands and customer brands (produced by PFL). PFL was successful during FY15 in securing a number of key national accounts exclusively and was voted by the Australian Association of Convenience Stores (AACS) as 'Supplier of the Year' for 'Food on the go' category.

Favourite in Catering channel

Market Leader in Innovation

Manufacturing

$2.8m+ delivered in operational & procurement benefits

In FY15 our productivity, safety and efficiency programs at our Bairnsdale based bakery delivered improved results, with operational and production capability investment continuing to improve our efficiencies, product quality and cost base.

With a new strong food industry experienced leadership group in place across the bakery, a new Value Stream Manufacturing (VSM) model was implemented during FY15, driving end to end improvement gains against key measures on each production line. Our 'make right first time' focus is ensuring consistent production quality everytime.

Line reliability and production uptime has been a key focus to deliver improved efficiencies. Continuous Improvement programs in FY15 delivered over $2.8m in operational and procurement benefits. However the impact of rising meat prices was felt during FY15 and they were mitigated by forward purchasing and wholesale price increases.

The FY15 Capital expenditure program was dominated by a new tunnel oven installation over the December shut down which increased the pie line capacity with improved product consistency, reduced waste and maintenance cost savings. The category leading Sous Vide cooking equipment was also successfully commissioned which will significantly increase our capabilities to pursue new growth opportunities.

Over the coming 12 months our operational focus will continue to be on safety performance, Continuous Improvement, Bakery efficiency and product quality initiatives.

Board of Directors

Thank you to all our hard working and skilled team of employees who continue to make a difference every day.

Mark Smith
Chairman

Patties Foods achieved solid growth for its iconic core brands, growing total revenue by over 3% , despite the challenges and significant effects of the frozen berries recall.

This result is a credit to our hard working employees, supported by our focus on innovation, investment, efficiency and the consistently high quality products made in our world class Bakery in Bairnsdale.

Curt Leonard
Deputy Chairman

With a renewed focus on process innovation and marketing of iconic Australian brands, Patties provides a strong platform for future growth.

John Schmoll
Chairman Audit & Risk Committee

Patties Foods has the hallmarks of a great investment… game changing product innovation, a clearly defined strategy focusing on profitable growth through expanding savoury business, optimisation of the cost base and a disciplined, competent and dedicated team.

Steven Chaur
Managing Director
& Chief Executive Officer

FY15 was a year that definitely tested our entire team at Patties Foods on many levels. Despite these challenges, our remarkable employees remained resolute in delivering continued improvements in our business model; professionally dealing with a crisis and; in delivering against our Plan over the year. We are looking forward to seizing additional growth opportunities as we embark on our 50th year of business in Australia in 2016. It's such a vibrant time to be at Patties Foods.

Harry Rijs
Non-Executive Director

It is an absolute joy to see category growth in the historic channels in which we operate resulting from Patties Foods sound investment in cutting edge baking technology and product innovation. This is a credit to the Patties team and our stakeholder partners and is characteristic of our proud and long standing history of baking high quality products and delivering the very best service.

Richard Rijs
Non-Executive Director

Although 2015 financial year was a challenging one for Patties, I am very heartened by the professionalism and dedication of our amazing team to deal with some major distractions while still growing our core business and brands. Some great new product innovations, as in the Herbert Adams slow cooked beef pies, strong marketing campaigns, as well as the great improvements in the bakery will ensure a very strong future for the company going forward.

Greg Dhnaram
Non-Executive Director

A wonderful Australian success story. From humble beginnings, it will continue to grow with its fantastic people and brands as it celebrates 50 years of business in 2016. The best is yet to come!

Directors' Report and Financial Statements

For the year ended 30 June 2015

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Patties Foods Limited
Directors' report
30 June 2015

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Patties Foods Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

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

Principal activities

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

Dividends - Patties Foods Limited

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

	2015 $'000	2014 $'000
Final ordinary dividend for the year ended 30 June 2014 of 3.9 cents (2013-3.9 cents) per fully paid share paid on 8 October 2014	5,427	5,424
Interim ordinary dividend for the year ended 30 June 2015 of Nil cents (2014-3.2 cents) per fully paid share	-	4,453
	5,427	9,877

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final dividend of $6,497 (5.0 cents) per fully paid share expected to be paid on 8 October 2015. The dividend will be fully franked. Total dividends for FY2015 are therefore 5.0 cents per share (FY2014: 7.1 cents per share).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Environmental regulation

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

In Victoria, the Group holds environmental licences for its manufacturing site. These licences require discharges to air and water to be below specified levels of contaminants, and solid wastes to be removed to an appropriate disposal facility. These requirements arise under the Environmental Protection Authority's regulations Clean Air Act 1961, Clean Waters Act 1970, Pollution Control Act 1970, Noise Control Act 1975, the Environmentally Hazardous Chemicals Act 1985 and Waste Avoidance and Resource Recovery Act 2001.

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

The National Greenhouse and Energy Reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2013/14 report to the Greenhouse and Energy Data Officer on 30 October 2014.

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

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Operating and financial review (OFR)

The Board presents the 2015 OFR with the objective of providing shareholders with an overview of the Group's operating performance, financial position, business strategies and prospects for future financial years. This review also sets out the material operational risks.

The 2015 OFR has been prepared in accordance with section 299A of the Corporations Act 2001 and the Australian Securities and Investments Commission Regulatory Guide 247 "Effective Disclosures in an Operating and Financial Review".

Operating Information and Underlying Drivers of Performance

$m	FY2015	FY2014	% Change
Sales Revenue	$256.90	$247.70	3.7%
EBITDA	$27.90	$33.90	-17.7%
EBIT	$9.10	$26.00	-65.0%
Reported NPAT	$2.10	$16.70	-87.4%
EPS (cents)	1.50c	12.0c	-87.5%
DPS (cents)	5.0c	7.1c	-29.6%
EBITDA – Underlying (1)	$32.30	$33.90	-4.7%
EBIT – Underlying (1)	$23.80	$26.00	-8.5%
NPAT- Underlying (1)	$15.40	$16.70	-7.8%
EPS (cents) – Underlying (1)	11.1c	12.0c	-7.5%
Net Debt	$74.19	$63.67	16.5%
Net Cash inflow from operating activities	$5.30	$23.20	-77.2%
Net Debt to Equity ratio (2)	54.7%	47.5%	
Underlying Return on Equity (pa.) (3)	11.4%	12.4%	

(1) FY15 reported profit adjusted for significant items of $14.704m pre-tax and $13.383m post-tax. This relates to an organisational restructure ($1,131k pre-tax and $792k post-tax) and frozen fruit recall and impairment of Frozen Fruit Business ($13.573m pre and $12.591m post-tax)
(2) Return on Equity is calculated using the underlying NPAT and the average equity over the financial year.
(3) Debt to equity ratio is calculated as net debt vs. total equity.

Revenue
The Group sales increased by 3.7% or $9.2 million from the previous corresponding year, to $247.7m. The principal sales' trends evident in the current year were:

- The In Home and Out of Home savoury categories all maintained market leading positions, notwithstanding some market share loss due to a competitive market place.
- Our core brands positively grew in sales revenue versus the year prior with FOUR'N TWENTY (+5.1%), Patties (+7.6%), Herbert Adam's (+11%) and Nanna's sweet pastry products (+19%).
- FOUR'N TWENTY remained the market leading brand.
- Successful launches of innovative new products with additional Herbert Adam's Slow Cooked pies; FOUR'N TWENTY 'Slams' Pie Bites, Real Chunky extensions for Out of Home and the new STACKED 'chunky' pie range in Grocery; Nanna's Crumble Cakes and Churros; Patties Pie Bites and Mini Party Pizzas

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Operating and financial review (OFR) (continued)

Profit

Net Profit After Tax (NPAT) for the year ending 30 June 2015 was $2.1m vs $16.7m after accounting for the significant effect of the frozen fruit recall and consequent impairment of Frozen Fruit Business. Importantly, the underlying NPAT of $15.4m is in line with the market guidance provided in June 2015 of approximately $15.0m.

Profit before income tax expense and finance costs is referred to as earnings before interest and tax or EBIT. EBITDA is EBIT with depreciation and amortisation added back. EBITDA was $32.3m, a reduction of $1.6m or -4.7% on last year's underlying result.

The primary influences on the profit result are outlined below:

- Profit Margins declined with increased input costs. The company was able to mitigate substantial market increases in beef prices through stronger procurement, wholesale price increases and forward purchasing against the favourable market prices. This however resulted in higher levels of inventory and debt over the past year.
- Total operating expenses increased by 0.7% to $62.8 million demonstrating effective cost control, notwithstanding an increase in logistics and marketing spend to support revenue growth and investment to develop various branded innovation initiatives.
- Finance costs increased by $0.1m in FY2015 reflecting the lower debt profile and the general interest rates.

Financial Position

Dividends

The total dividends to shareholders for the year is 5.0c consisting of only a final dividend of 5.0c. The Board deferred consideration of an interim dividend until the financial impacts of frozen fruit recall became clear. All dividends are fully franked.

This results in a reduced (underlying basis) in the dividend payout ratio to 45% (FY14: 59%) which is in line with current company policy. On a reported NPAT basis the dividend payout ratio is 338%.

Cash Generation and Capital Management

The effect of the frozen berries recall on Frozen Fruit sales and substantial increases in beef prices on inventory resulted in the net debt to equity ratio4 increasing to 54.7% at 30 June 2015 (47.5 % at 30 June 2014). Total cash flow generated from operations in FY15 reduced to $5.3m. Accordingly, Net Debt increased by $10.5m to $74.2m (30 June 2014 $63.7m).

External Financing Facilities

The Group retains external bank financing capacity totaling $88.4 million through a facility with Westpac Bank. These facilities mature in January 2018 and are sufficient to meet the current planned organic operational and investment needs of the Group.

The banking covenants are comfortable and there are strong internal controls to ensure compliance with covenants and internal financial ratio policy thresholds.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Operating and financial review (OFR) (continued)
Business Strategies and Prospects for Future Financial Years

During the year, the company pursued its 3-Stage rebuilding program. Under the first “Restore Basic Conditions” stage, a major company reorganisation delivered in excess of $3M savings in overhead and was able to deliver over $2.8M in further operational & purchasing savings. The Group is now focused on driving for growth. This phase is about excelling in our current core markets with relevant ranges, expended distribution and leveraging brand execution.

Net Income Growth

Profitable growth opportunities continue through the in-home channel and growth in the out of home channel remains positive given the sustained development in this business sector. Our growth efforts in the out of home channel include targeting opportunities in innovative savoury pastry and snacking solutions in the food service, premium café, schools, aged care, sporting venue, local sporting clubs, lunch bar trade and Petrol and Convenience segments. Positive growth opportunities also exists to drive wider distribution of much loved classic savoury staples such as FOUR’N TWENTY pies, sausage rolls and more premium savoury products such as Herbert Adam's Slow Cooked pies.

Profit Drivers

Profit improvement is an underlying platform to continue the Group’s earnings growth. We strive to achieve results through optimising product mix, managing our sales channel business mix; controlling fixed overheads; having an efficient organisational structure; reducing conversion costs; proactively mitigating risks in key materials costs and; efficiently monitoring the costs of doing business with our major customers.

Increase product range

Innovation through new products in our core savory brands is a focus with a fewer, bigger, better approach. With our investment in sous vide capability, we aspire to lead in premium range development through ‘better quality to eat’ against current market offerings and the use of premium meat cuts. With the increase in beef pricing, we will also look at development in alternate proteins like chicken, pork and lamb.

Brands support

The Group remains committed to investing heavily in our brands in the face of price driven commoditisation. We are focused on category growth and new consumers with support of our core brands with above the line media support. The Group remains focused on investing in the ongoing development of our iconic brand portfolio through relevant mass media communications, exciting new product innovation, highly visible path to purchase point of sales materials and pie warmers, consumer purchase incentives and leveraging incremental sales opportunities through our customer relationships. A major strategy in enhancing the interaction opportunities between consumers and our brands continues through national, state and community sporting associations and product sales through major events and entertainment venues.

Acquisitions

The Group recognises that we can add value to other businesses by unlocking their potential through our strong customer relationships, consumer insights, efficient production processes and brand management experience. The Group will continue to identify opportunities for an acquisition which will add economic value long term.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Operating and financial review (OFR) (continued)
Operational Risks

The Group believes that there is a need for formal policies on risk management and accordingly, the Group has systematic processes in place to identify, assess, manage, monitor and report the material business and financial risks of the Group.

The risk management framework together with the risk assessments and mitigation strategies are regularly reviewed both individually and collectively by senior management, the Audit and Risk Committee and the Board.

A simple prioritisation system has been adopted to scale the relative importance of all the identified risks. All risks are prioritised for mitigation actions and those considered "very high" are the material business risks faced by the company that are likely to have an effect on the financial prospects and regulatory compliance of the Group. The risk identified as very high at the most recent assessment is detailed below, including how the company manages this risk:

- A change in the competitive environment impacting profitability: The competitive landscape is increasing, and having the lowest cost of doing business is a key source of maintaining a competitive advantage, together with quality of brands. Accordingly we continue to focus on:
  - maintaining a cost efficiency advantage over our competitors; and
  - branded innovation and customer needs through market research, advertising campaigns, product development and packaging innovation.

Outlook

Patties Foods is a vibrant Australian food company with strong growth prospects derived from a multiple sales channel business model, supported by a best-in-class automated bakery operation in East Gippsland with category leading brands.

We remain committed to driving earnings growth and building shareholder value through:

- Capitalising on our multi-sales channel business model and growing profitable channels.
- Being recognised as an innovative, strategic business partner with all our customers;
- Investing in marketing and technology in our icon brands.
- Growing through premium, innovative new savoury products and packaging solutions that increase consumption and drive new distribution.
- Continuing to deliver improved manufacturing efficiencies, lower conversion costs and the highest quality food products.
- Disciplined management of overhead cost across the business.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Information on directors
Mark G Smith FAMI CPM FAIM FAICD *Non-Executive Chairman*

Experience and expertise
Extensive global experience in the Manufacturing and FMCG sectors across Australasia, USA, UK and Asia Pacific.
Managing Director of Cadbury Schweppes Australia and New Zealand from 2003-2007, and a member of the Asia Pacific Regional Board. Over a 16 year career with the Cadbury Schweppes group, held senior management positions in Australia, the UK and North America.
Past Chairman of Manassen Foods Group.
Senior marketing management positions with Unilever and Uncle Toby's.

Other current directorships
Non-Executive Director of GUD Holdings since 2009

Former directorships in last 3 years
Non-Executive Director of Toll Holdings Limited, Australia (October 2007 - May 2015)

Special responsibilities
Chairman of the Board
Chairman of the Remuneration and Nomination Committee

Interests in shares
296,000 ordinary shares in Patties Foods Limited

J Curt Leonard BMktg & Bus. Admin, MBA *Non-Executive Director and Deputy Chairman*

Experience and expertise
Non-executive director since 2003.
Over 31 years' experience working with the Mars Group, including General Manager of Mars Confectionery, Managing Director of Uncle Bens and Managing Director of Mars Australia and New Zealand.
Served as President, Asia Pacific, of all Mars business and Director of the Managing Board of Mars Incorporated global business.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Deputy Chairman of the Board
Member of Remuneration and Nomination Committee

Interests in shares
2,306,135 ordinary shares in Patties Foods Limited

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Information on directors (continued)
Steven C Chaur MBA, Graduate Diploma in Marketing, AFAIM, MAICD, *Managing Director & Chief Executive Officer*.

Experience and expertise
A 20 year career in food industry leadership roles including Executive General Manager of Tip Top Bakeries (Southern region), General Manager of Findus Australia and General Manager of National Foods, Tasmania. 9 years in brand and marketing executive roles with Pacific Brands Food Group, Simplot Australia and National Foods. Most recently Managing Director - Pacific of Saint-Gobain.

Other current directorships
Davies Bakery Pty Ltd

Former directorships in last 3 years
Managing Director - Pacific of Saint-Gobain (April 2010 - March 2014)

Special responsibilities
Managing Director & Chief Executive Officer.

Interests in shares
52,988 ordinary shares in Patties Foods Limited.

Gregory J Dhnaram *Non-Executive Director*

Experience and expertise
Currently Chief Executive Officer of Carter & Spencer Group (since June 2015)
Former Chief Executive Officer of Favco Group (2007 - November 2014)
30 years experience with a major Australian supermarket chain, including a number of senior positions at both State and National levels.
Extensive experience in buying, marketing, operations, retail and strategic planning.

Other current directorships
Non executive Director (since November 2008) and currently Deputy Chair of Citrus Australia Limited.

Former directorships in last 3 years
None.

Special responsibilities
Member of Audit and Risk Committee.

Interests in shares
200,000 ordinary shares in Patties Foods Limited.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Information on directors (continued)
Harry (Henricus) J Rijs *Non-Executive Director*

Experience and expertise
A director since 1989.

A son of the founders of Patties Foods Ltd, Harry joined the family business in 1972 as an apprentice pastry cook and gained hands-on experience in the Baking industry.
Over his four decades at Patties, he gained broad experience in manufacturing, selling, marketing and distribution and held senior management positions in these areas, including Director Sales and Marketing and Deputy Managing Director.

Resigned as Executive Director and appointed Non-Executive Director on 1 July 2011.

Other current directorships
Davies Bakery Pty Ltd
Chairman of the Committee for Gippsland

Former directorships in last 3 years
None

Special responsibilities
Member of Audit and Risk Committee.

Interests in shares
9,500,000 ordinary shares in Patties Foods Limited.

Richard C Rijs *Non-Executive Director*

Experience and expertise
Managing Director from 1989 to 2007. Led the company through several successful acquisitions, culminating in the purchase and integration of the Four 'N Twenty Pastry business. Was responsible for development of the state of the art plant which saw Patties becoming the largest savoury pastry manufacturer in Australia.
A son of the founders of Patties Foods, joining the business in 1971, working in all aspects of production, packaging, dispatch, sales and distribution.

Other current directorships
Chair of East Gippsland Marketing Board

Former directorships in last 3 years
Chair of Lindenow Valley Water Security Committee

Special responsibilities
Member of Remuneration and Nomination Committee.

Interests in shares
9,000,002 ordinary shares in Patties Foods Limited.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Information on directors (continued)
John P Schmoll BComm, FCA, FAICD *Non-Executive Director*

Experience and expertise
Mr Schmoll completed his executive career on his retirement in 2002 as Chief Financial Officer of Coles Myer Ltd. Prior to this he held senior corporate and professional roles in Australia and South Africa including Arthur Young and Edgars Stores Ltd (South Africa's largest apparel and home wares retailer). Since his retirement he has undertaken some executive coaching roles and held 7 public company non-executive director positions (primarily as either Chairman or Chairman of the Audit Committee). Accordingly he brings to Patties over 35 years of experience in finance, investor relations, information technology and corporate governance, primarily in the distribution and financial sectors.

Other current directorships
Non-Executive Chairman of Oroton Group Limited since 2006.

Former directorships in last 3 years
Non Executive Director and Chairman of Breville Group Limited (2004-2013).

Special responsibilities
Chairman of Audit and Risk Committee.

Interests in shares
100,000 ordinary shares in Patties Foods Limited.

Company secretary

Clinton Orr was appointed as company secretary of Patties Foods Ltd (PFL) with effect from 18 September 2014. Clinton has held the position of Legal Counsel at PFL since 30 January 2012.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
Mark G Smith	15	15	*	*	3	3
J Curt Leonard	13	15	*	*	3	3
Steven C Chaur	15	15	*	*	*	*
Gregory J Dhnaram	13	15	4	4	*	*
Harry J Rijs	15	15	4	4	*	*
Richard C Rijs	15	15	*	*	3	3
John Schmoll	14	15	4	4	*	*

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

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report

The directors present the remuneration report for the year ended 30 June 2015.
The information provided in this remuneration report has been audited as required by section 300A of the *Corporations Act 2001*.

Voting and comments made at the Group's 2014 Annual General Meeting

The Annual General Meeting was held on 21 November 2014 and for the purposes of section 250R(2) of the Act, the Group's Remuneration Report for the financial year ended 30 June 2014 was adopted without question or comment.

Summary of highlights for Financial Year 2015

The Board continues to review remuneration arrangements, policy and practice to ensure alignment with the strategy of the Group and with external practice. The following are key events for Financial Year 2015 ('FY2015'):

- Appointment of a number of new senior executives as Key Management Personnel (KMP) to the Patties Leadership Team (PLT)
- Further strengthening of the financial component of the Short Term Incentive Plan (STIP) for FY2016
- Grant of Performance Rights under the Long Term Incentive Plan (LTIP) for FY2015

Remuneration governance

The Board reviews its executive remuneration policy and practices on a regular basis. The objectives of the Board's executive remuneration policy are to:

- align senior executive reward with the achievement of the strategic objectives of the Group and the creation of value for shareholders;
- align the reward for senior executives with the performance of the Group;
- ensure senior executive remuneration is competitive to retain and attract talented people; and
- ensure that the elements of reward related to performance are appropriate for the results delivered.

The Remuneration and Nomination Committee (Committee) assists the Board by providing advice in relation to the remuneration packages for key management personnel, which includes non executive directors and specified senior executives. The Committee's Charter is available on the Group's website at http://pattiesfoods.com.au/investors. The Committee receives both internal and external advice to assist it in the review and decisions relating to remuneration.

During FY2015 the Board or the Remuneration Committee did not receive any independent remuneration advice, however, the processes are in place to ensure such advice, when requested, is received free from undue influence.

The Corporate Governance Statement provides further information on the role of the Committee and the engagement of remuneration consultants.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Key management personnel

In addition to the non-executive directors, listed on page 1 of the Directors' Report, the following senior executives are members of the Patties Leadership Team (PLT) and are regarded as the key management personnel (KMP) of the Group who have the authority and responsibility for planning, directing and controlling the activities of the Group.

Name	Role	Date Commenced In Role
Current Senior Executives		
S Chaur	Managing Director & Chief Executive Officer	15 April 2014
M Knaap (1)	Chief Financial Officer	16 February 2009
D Gerrard	General Manager Operations	11 August 2014
J Pentney	General Manager People & Organisation	4 February 2008
B George	General Manager In-Home	10 December 2014
G Wharton (2)	General Manager Out of Home	17 November 2014
S Smyth	General Manager Innovation and Marketing	8 December 2014
S Beauchier (3)	Group Manager Procurement	24 September 2014
Ceased Senior Executives		**Date Ceased**
T Peters	Head of Sales	14 November 2014
B Mitchell	General Manager Marketing	12 September 2014
M Kluver	General Manager Logistics & Customer Service	12 September 2014

(1) Mr Knaap tendered his resignation and ceased with the company on 31 July 2015

(2) Mr Wharton commenced on 5 May 2010 prior to becoming a KMP and was promoted to the Role of General Manager Out of Home on 17 November 2014

(3) Mr Beauchier commenced on 7 December 2009 prior to becoming a KMP and was promoted to the role of Group Manager Procurement on 24 September 2014

Senior executive remuneration

The remuneration for senior executives who are key management personnel is structured with a combination of the following three components:

- total fixed remuneration (TFR);
- short-term incentive (STI); and
- long-term incentive (LTI).

The Committee reviews senior executive remuneration annually taking into account Group performance, senior executive performance and comparative information from other listed companies in similar industries and the broader market.

The Committee has a number of key objectives, including:

- the sustainability of Group performance;
- responsible remuneration practices; and
- that senior executive total remuneration will be market competitive and reflective of performance.

The Committee monitors and reviews the remuneration structure for senior executives to ensure the continued alignment and balance between Group performance, potential reward and Group long term strategies.

The Committee and the Board believe that the Group remuneration policy continues to be appropriate to guide the remuneration arrangements for senior executives. The Board remains focused on providing a strong alignment between the performance of the Group and the potential rewards received by senior executives.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Senior executive remuneration (continued)
Total fixed remuneration (TFR)

Total Fixed Remuneration (TFR) includes base salary, superannuation and other fixed benefits. Each year the Committee reviews the performance and TFR for the Managing Director and the Managing Director reviews the performance and TFR for other senior executives and provides the Committee with any recommendations for adjustments.

Senior executives may elect to sacrifice some of their base salary to increase payments towards superannuation or to salary package a motor vehicle.

Short-term incentive plan (STIP)

Senior executives are eligible to receive a STIP depending on the achievement of a threshold level of Group EBIT and individual key performance measures.

Remuneration report (continued)
Senior executive remuneration (continued)
STIP 2015

A threshold level of Group EBIT financial performance must be achieved for the full year before any payment can be made under the STIP. Once this threshold is achieved, potential payments under the STIP are based on achievement of key performance measures, being Financial, Business Improvement, Customer, and People measures.

The Managing Director & Chief Executive Officer was eligible to receive an annual STIP in the form of a cash payment of 25% of his TFR for achievement of target performance against key performance indicators for FY2015. Other senior executives were eligible to receive a STIP of 18% of TFR for achievement of target performance. Other senior managers were eligible to receive a STIP of 10% of their TFR for achievement of target performance. In addition, there is the ability to earn 150% of target performance based on results significantly above target for Group EBIT performance.

The threshold level of Group EBIT financial performance for FY2015 was not achieved and as such there were no STIP payments to the Managing Director & Chief Executive Officer or senior executives in FY2015 as detailed on page 19 to 23.

Long-term incentive plan (LTIP)

The Board considers that a LTIP is an important component of the remuneration structure for senior executives, which aligns them with the strategy and long-term performance of the Group.

In FY2013, the Board undertook a review of the LTIP which had been in place since 2006. In undertaking this review, the Board received advice from E&Y as their independent remuneration advisor. In addition, the Board considered:

- the future strategy for the Group;
- the key measures to align achievement of long term performance, creation of value and reward to senior executives;
- changes in market practice and legislation that have impacted on the design of equity plans; and
- the establishment of a strong market peer group against which performance may be assessed.

As a result of this review, the Board approved a revised design which has been the basis of the Long Term Incentive Plans granted in FY2013 ('2013 LTIP'), FY2014 ('2014 LTIP') and FY2015 ('2015 LTIP'),

Under the approved Long Term Incentive Plans, the Board:

- has the discretion to grant options or rights to eligible employees to acquire ordinary shares in the Company subject to such terms and conditions, including vesting conditions which include time and/or performance conditions and exercise price (in relation to options), as the Board determines at its discretion;
- determined that the use of Performance Rights remains the most effective on-going long term incentive for senior executives;
- considers that the relative TSR Performance Hurdle and the EPS Performance Hurdle are appropriate and provide the right balance between relative and absolute company performance and alignment of senior executives' and shareholders' interests.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Senior executive remuneration (continued)
Long-term incentive plan (LTIP) (continued)

The key features of the 2013 LTIP, 2014 LTIP and 2015 LTIP grants are:

Award Structure	Performance Rights
Consideration for the Performance Rights	The Performance Rights will be granted for nil consideration.
Vesting Period	Each tranche has a vesting period of 3 years.
Performance Measure	Vesting of the Performance Rights is dependent on two discrete performance measures: • Earnings per Share (EPS) representing 50%; and • Relative Total Shareholder Return (TSR) representing 50%.
EPS Vesting Schedule	EPS (basic earnings per share on a normalised basis) performance of the Group will be measured on a compound annual growth in Group EPS over the relevant 3 year performance period stated as a percentage (EPS Growth Percentage).
TSR Vesting Schedule	TSR performance of the Company will be measured over a 3 year performance period against selected companies within: • the "Consumer Staples" GICS Sector and "Food Products" GICS Sub-Industry Sector; • the "Hotels, Restaurants and leisure" GICS Sector; and • the "Personal Products" GICS Sector; with a market capitalisation on ASX relative to Patties Foods' market capitalisation at the Grant Date ("comparator group").

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Senior executive remuneration (continued)
Long-term incentive plan 2015 (2015 LTIP)

For the 2015 LTIP grant, the Board adopted a standard 3 year vesting approach. The following table summaries the performance period, performance hurdles and vesting schedule for Performance Rights which were granted for the 2015 LTIP:

Grant Date	30 September 2014
Performance Period	Performance Rights may vest over a 3 year performance period:
- Tranche 1:	• 50% may vest based on EPS growth from 1 July 2014 to 30 June 2017
- Tranche 2:	• 50% may vest based on relative TSR versus the peer group from 1 July 2014 to 30 June 2017
Tranche 1– performance period ending FY2016	
EPS Growth over 3 year performance period (1 July 2014 - 30 June 2017)	*Proportion of total grant of Rights vesting*
- Less than 8% CAGR	- 0%
- Equal to 8% CAGR	- 25%
- Greater than 8% CAGR but less than 12% CAGR	- Proportionate vesting in a straight line between 25% and 50%
- 12% CAGR or greater	- 50%
Tranche 2 – performance period ending FY2016	
Relative TSR against comparator group over 3 year period (1 July 2014 to 30 June 2017)	*Proportion of total grant of Rights vesting*
- Less than median	- 0%
- Equal to median	- 25%
- Greater than median but less than 75th percentile	- Proportionate vesting in a straight line between 25% and 50%
- 75th percentile or greater	- 50%

CAGR - cumulative annual growth rate

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Senior executive remuneration (continued)
Long-term incentive plan 2014 (2014 LTIP)

For the 2014 LTIP grant, the Board adopted a standard 3 year vesting approach. The following table summaries the performance period, performance hurdles and vesting schedule for Performance Rights which were granted for the 2014 LTIP:

Grant Date	19 August 2013
Performance Period	Performance Rights may vest over a 3 year performance period:
- Tranche 1:	• 50% may vest based on EPS growth from 1 July 2013 to 30 June 2016
- Tranche 2:	• 50% may vest based on relative TSR versus the peer group from 1 July 2013 to 30 June 2016
Tranche 1– performance period ending FY2016	
EPS Growth over 3 year performance period (1 July 2013 - 30 June 2016)	*Proportion of total grant of Rights vesting*
- Less than 8% CAGR	- 0%
- Equal to 8% CAGR	- 25%
- Greater than 8% CAGR but less than 12% CAGR	- Proportionate vesting in a straight line between 25% and 50%
- 12% CAGR or greater	- 50%
Tranche 2 – performance period ending FY2016	
Relative TSR against comparator group over 3 year period (1 July 2013 to 30 June 2016)	*Proportion of total grant of Rights vesting*
- Less than median	- 0%
- Equal to median	- 25%
- Greater than median but less than 75th percentile	- Proportionate vesting in a straight line between 25% and 50%
- 75th percentile or greater	- 50%

CAGR - cumulative annual growth rate

Benefits in connection with Termination

On 22 November 2012, at the Annual General Meeting, shareholders approved the giving of Accelerated Benefits in connection with certain types of termination, excluding resignation or dismissal for cause, as well as on certain changes of control circumstance, from office or position of employment in the Group. This benefit may apply to the Managing Director and specified senior executives and provides the Board with the ability to accelerate the vesting of Rights. The number of Rights that may vest in these circumstance will be determined by the Board in its discretion taking into account:

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Senior executive remuneration (continued)

(1) the elapsed relevant performance period as at the date of cessation of employment; and

(2) the extent to which the relevant performance hurdles have been satisfied as at the date of cessation.

The 2013 LTIP, to which this approval relates, has lapsed, and as a result the above benefits no longer apply.

STIP and LTIP for FY2016

Following a review by the Board in 2015, the STIP design for FY2016 has been amended. For FY2016 the structure of the plan has an 80% weighting on financial measures, EBIT and Return on Capital Employed (ROCE), and 20% weighting on individual performance objectives. This is an increased focus on financial performance from 70% to 80% of the short term incentive for senior executives. For any payment to be made in respect of the financial measures, a threshold level of Group EBIT financial performance must be achieved for the full year before any payment can be made. The Managing Director & Chief Executive Officer may recommend to the board a reward of up to 20% of the STIP based on the achievement of individual objectives.

The design of the FY2016 LTI will be consistent with the plan for FY2015.

Service contracts

There are service contracts in place with Mark Smith and Steven Chaur, but not the remaining directors. Senior executives who are KMP are each employed under an individual employment contract which includes standard terms and conditions of employment for the Group. There is no term on these arrangements and standard notice periods of three months apply; (save for six months in the case of the Managing Director & Chief Executive Officer in the event of a Fundamental Change to the Group) and there are no termination entitlements other than statutory entitlements.

Non-executive director remuneration

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

Non executive directors’ fees are determined within an aggregate directors’ fee pool limit. The maximum fee pool currently stands at $600,000 per annum, which was resolved by the Board in May 2006 and approved by the shareholders at the AGM on 21 November 2007.

Fees and payments to non executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non executive directors receive an annual fee and do not participate in any Group incentive plan. In addition, non executive directors (including the Chairman) may receive additional fees as chair person for the Audit and Risk Committee and the Remuneration and Nomination Committee. Non executive directors’ fees and payments are reviewed annually by the Board.

The Chairman's fees are determined independently to the fees of other non executive directors based on comparative roles in the external market. There was no increase in fees in FY2015, and there was no increase to the aggregate fee pool.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Non-executive director remuneration (continued)
The following provides a summary of the non-executive director annual fees (including superannuation contributions):

Board Fees	FY2015 ($)
Chairman	160,000
Directors	72,264
Audit Committee Chair	10,815 (1)
Remuneration and Nomination Committee Chair	10,815 (2)
Audit Committee Member	nil
Remuneration and Nomination Committee Member	nil

(1) A fee of $10,815 per annum for Mr John Schmoll as Chairman of the Audit Committee
(2) A fee of $10,815 per annum applies for Mr Mark Smith as Chairman of the Remuneration and Nomination Committee

Retirement allowances for directors

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

Linking group performance to executive remuneration

The following table provides a summary of underlying Group performance over the last five years. The underlying Group performance is used as the basis for executive reward. The reconciliation between reported profit and underlying profit is disclosed in the Operating and financial review on page 3.

Group financial performance

	FY2011	FY2012	FY2013	FY2014	FY2015
Revenue	$216.8m	$235.8m	$244.8m	$247.7m	$256.9m
EBIT (underlying)	$29.9m	$30.8m	$26.9m	$26.0m	$23.8m
NPAT (underlying)	$18.4m	$19.5m	$17.0m	$16.7m	$15.4m
Dividends Per Share	7.7 cents	8.2 cents	7.1 cents	7.1 cents	5.0 cents
EPS (underlying)	13.2 cents	14.0 cents	12.2 cents	12.0 cents	11.1 cents
Share price at 30 June	$1.71	$1.605	$1.40	$1.12	$1.17

- underlying results used in FY2011 - FY2015.

STIP payment

The STIP is designed to align the reward for executives with the performance of the Group. Each year the Board establishes challenging performance targets as the basis of the STIP. The current STIP enables up to 100% of target STIP to be earned subject to the achievement of the full year results to 30 June 2015. As the threshold level of Group EBIT financial performance was not achieved for FY2015, no payments have been made to senior executives under the STIP for FY2015.

The following table provides the average percentage of maximum STIP payments made to the key management personnel for each of the past five years.

	FY2011	FY2012	FY2013	FY2014	FY2015
STI % of Maximum	0%	25.5%	0%	0%	0%

Patties Foods Limited
Directors' report
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(continued)

Remuneration report (continued)
STIP payment (continued)

Long-term incentive performance

The performance of Tranche 2 of the 2013 LTIP for both EPS and TSR was assessed over the period from 1 July 2012 to 30 June 2015. Neither the EPS or TRS measures achieved the required target performance, therefore, performance rights granted in the 2013 LTIP Tranche 2 have now lapsed.

Senior management remuneration mix

The following table shows the proportional weighting of each element of remuneration for each of the senior executives based on target performance:

Name	Fixed remuneration (%)		Short Term Incentive (%)		Long term Incentive (%)(1)	
	2015	2014	2015	2014	2015	2014
S Chaur	59.9%	80.0%	15.0%	20.0%	25.1%	-%
M Knaap (5)	66.1%	78.3%	11.9%	14.1%	22.0%	7.6%
D Gerrard	65.3%	-%	11.8%	-%	22.9%	-%
J Pentney	66.9%	80.3%	12.0%	14.4%	21.1%	5.3%
B George	84.7%	-%	15.3%	-%	-%	-%
G Wharton	84.7%	-%	15.3%	-%	-%	-%
S Smyth	84.7%	-%	15.3%	-%	-%	-%
S Beauchier	84.7%	-%	15.3%	-%	-%	-%
T Peters (2)	-%	78.2%	-%	14.1%	-%	7.7%
B Mitchell (3)	-%	84.7%	-%	15.3%	-%	-%
M Kluver (4)	-%	79.8%	-%	14.4%	-%	5.8%

(1) The LTIP value is based on the Total Accounting Value for FY2014
(2) T Peters ceased on 14 November 2014
(3) B Mitchell ceased on 12 September 2014
(4) M Kluver ceased on 12 September 2014
(5) M Knapp ceased on 31 July 2015

Patties Foods Limited
Directors' report
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(continued)

Remuneration report (continued)
Remuneration tables

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

2015	**Short-term employee benefits**			**Post-employment benefits**	**Long-term benefits**		**Share-based payments**	
Name	**Cash salary and fees**	**Short term incentive**	**Non-monetary benefits (1)**	**Super-annuation**	**Long service leave**	**Termi-nation benefits**	**Options/Perf. Rights**	**Total (2)**
	$	$	$	$	$	$	$	$
Non-executive directors								
Mark Smith - Chairman	156,352	-	-	14,853	-	-	-	171,205
John P Schmoll	75,895	-	-	7,210	-	-	-	83,105
Gregory J Dhnaram	49,497	-	-	22,768	-	-	-	72,265
Richard C Rijs	39,305	-	-	32,960	-	-	-	72,265
J Curt Leonard	37,273	-	-	34,992	-	-	-	72,265
Harry J Rijs	37,819	-	-	34,446	-	-	-	72,265
Sub-total non-executive directors	**396,141**	**-**	**-**	**147,229**	**-**	**-**	**-**	**543,370**
Executive directors								
Steven Chaur	493,994	-	-	26,008	-	-	42,347	562,349
Senior Executives								
Michael Knaap (11)	317,401	-	-	18,783	-	-	(53,408)	282,776
Denis Gerrard (3)	215,854	-	30,096	22,332	-	-	22,445	290,727
Jeff Pentney	223,399	-	-	33,066	24,017	-	(9,871)	270,611
Bethany George (4)	129,449	-	-	10,957	-	-	-	140,406
Greg Wharton (5)	176,073	-	-	15,392	5,338	-	-	196,803
Stuart Smyth (6)	110,018	-	5,943	10,957	-	-	-	126,918
Steve Beauchier (7)	183,507	-	-	17,433	5,869	-	-	206,809
Tim Peters (8)	115,649	-	-	21,480	-	223,867	(53,408)	307,588
Brenda Mitchell (9)	47,301	-	3,684	7,826	-	132,193	-	191,004
Mark Kluver (10)	38,930	-	3,049	9,984	-	166,603	(21,948)	196,618
Sub-total senior executives	**2,051,575**	**-**	**42,772**	**194,218**	**35,224**	**522,663**	**(73,843)**	**2,772,609**
Total key management personnel compensation (Group)	**2,447,716**	**-**	**42,772**	**341,447**	**35,224**	**522,663**	**(73,843)**	**3,315,979**

(1) Includes fringe benefits tax and other non-cash benefits (excluding superannuation)
(2) Remuneration shown for the key management personnel is for the full financial year
(3) Mr Gerrard commenced 11 August 2014
(4) Ms George commenced 10 December 2014
(5) Mr Wharton became a KMP and was promoted to the Role of General Manager Out of Home on 17 November 2014
(6) Mr Smyth commenced 8 December 2014
(7) Mr Beauchier became a KMP and was promoted to the role of Group Manager Procurement on 24 September 2014
(8) Mr Peters ceased on 14 November 2014
(9) Ms Mitchell ceased on 12 September 2014
(10) Mr Kluver ceased on 12 September 2014
(11) Mr Knaap ceased on 31 July 2015

Patties Foods Limited
Directors' report
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(continued)

Remuneration report (continued)
Remuneration tables (continued)

2014	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
Name	Cash salary and fees $	Short term incentive $	Non-monetary benefits (1) $	Super-annuation $	Long service leave $	Termi-nation benefits $	Options $	Total $
Non-executive directors								
Mark Smith - Chairman	158,264	-	-	14,639	-	-	-	172,903
John P Schmoll	75,895	-	-	7,020	-	-	-	82,915
Gregory J Dhnaram	65,995	-	-	6,102	-	-	-	72,097
Richard C Rijs	38,095	-	-	34,005	-	-	-	72,100
J Curt Leonard	40,599	-	-	31,501	-	-	-	72,100
Harry J Rijs	48,895	-	-	23,205	-	-	-	72,100
Sub-total non-executive directors	**427,743**	**-**	**-**	**116,472**	**-**	**-**	**-**	**544,215**
Executive directors								
Steven Chaur (2)	105,027	32,500	-	5,949	-	-	-	143,476
Gregory J Bourke (3)	83,838	-	-	30,325	-	331,490	(32,609)	413,044
Senior Executives								
Tim Peters (4)	362,108	-	-	24,972	2,774	-	31,900	421,754
Michael Knaap (5)	378,957	-	-	17,775	6,591	-	31,900	435,223
Grant Leyden (6)	155,882	-	-	10,847	-	7,419	(21,509)	152,639
Jeff Pentney	214,825	-	-	26,271	7,663	-	15,950	264,709
Brenda Mitchell (7)	148,507	-	10,506	12,565	-	-	-	171,578
Mark Kluver	197,173	-	9,937	22,938	5,633	-	15,950	251,631
Sub-total senior executives	**1,646,317**	**32,500**	**20,443**	**151,642**	**22,661**	**338,909**	**41,582**	**2,254,054**
Total key management personnel compensation (group)	**2,074,060**	**32,500**	**20,443**	**268,114**	**22,661**	**338,909**	**41,582**	**2,798,269**

(1) Includes fringe benefits tax and other non-cash benefits (excluding superannuation).
(2) S Chaur commenced as Managing Director & Chief Executive Officer on 15 April 2014.
(3) G Bourke resigned as Managing Director effective 11 September 2013 and was paid termination benefits in accordance with his contract of employment.
(4) T Peters received additional remuneration as Acting Joint CEO in FY2014.
(5) M Knaap received additional remuneration as Acting Joint CEO in FY2014.
(6) G Leyden resigned as General Manager Manufacturing on 7 February 2014.
(7) B Mitchell commenced as General Manager Marketing on 6 November 2013.
Remuneration shown for the key management personnel is for the full financial year.

Patties Foods Limited
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(continued)

Remuneration report (continued)
STIP payments to key management personnel for FY2015

Details of STIP payments to key management personnel for FY2015 are set out in the table below. Payments to senior executives may vary based on individual performance and results achieved. However, as the threshold level of Group EBIT financial performance was not achieved for the full FY2015, no payments were made to senior executives under the STIP:

Name	Maximum Potential STI	Achieved FY2015	% of the Maximum Potential	% forfeited
	($)	($)		
S Chaur	130,001	-	-	100%
M Knaap (4)	59,037	-	-	100%
D Gerrard (1)	49,615	-	-	100%
J Pentney	46,682	-	-	100%
B George (1)	24,783	-	-	100%
G Wharton (2)	22,192	-	-	100%
S Smyth (1)	22,624	-	-	100%
S Beauchier (2)	27,976	-	-	100%
T Peters (3)	21,997	-	-	100%
B Mitchell (3)	9,639	-	-	100%
M Kluver (3)	7,907	-	-	100%

(1) Mr Gerrard, Ms George and Mr Smyth commenced after 1 July 2014 and target STI levels have been pro rated accordingly
(2) Mr Wharton and Mr Beauchier became KMPs after 1 July 2014 and target STI levels have been pro rated accordingly
(3) Mr Peters, Ms Mitchell and Mr Kluver ceased prior to 30 June 2015 and target STI levels have been pro rated accordingly
(4) Mr Knaap resigned prior to 30 June 2015

Managing Director and Senior Executives' Long Term Incentives

The following tables provide the details of performance rights allocated to the KMP pursuant to the LTIP. The grant of performance rights to the Managing Director was approved by shareholders at the Annual General Meeting on 21 November 2014, in accordance with Listing Rule 10.14. Details of grants made to the Managing Director and other senior executives are provided in the following tables.

For each of the following tables relating to the LTIP the following notes apply:

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(continued)

Remuneration report (continued)
Managing Director and Senior Executives' Long Term Incentives (continued)
Accounting value of all LTI equity instruments - FY2015

Name	Date of Grant	No. of Performance Rights	Total Accounting Value FY2015	Accounting value as % of Total Remuneration
			($)	(%)
S Chaur	30 September 2014	200,000	42,347	7.5%
D Gerrard	30 September 2014	100,000	22,445	7.7%
M Knaap (3)	19 August 2013	90,000	-	0%
	30 September 2014	100,000		
J Pentney	19 August 2013	45,000	23,967	7.9%
	30 September 2014	75,000		
T Peters (1)	19 August 2013	90,000	-	-
	30 September 2014	100,000		
M Kluver (2)	19 August 2013	17,506	4,756	2.1%

(1) Mr Peters ceased effective 14 November 2014 and therefore all Performance Rights were forfeited on cessation.
(2) Mr Kluver ceased effective 12 September 2014 and therefore no issue of Performance Rights were made in FY2015, In accordance with the plan terms and board approval, previous grants to Mr Kluver were pro-rata based on the period of service during the performance period.
(3) Mr Knaap resigned prior to 30 June 2015, therefore Performance Rights were forfeited.

Number of equity instruments granted and vested in FY2015 - Performance Rights

Name (1)	Performance Rights	Performance Rights Granted	Performance Rights Vested	Performance Rights Expired/ forfeited	Balance
	1 July 2014				**30 June 2015**
S Chaur	-	200,000	-	-	200,000
M Knaap (4)	213,520	100,000	-	(313,520)	-
D Gerrard	-	100,000	-	-	100,000
J Pentney	106,760	75,000	-	(61,760)	120,000
T Peters (2)	213,520	100,000	-	(313,520)	-
M Kluver (3)	106,760	-	-	(89,254)	17,506
Total	**640,560**	**575,000**		**(778,054)**	**437,506**

(1) B George, G Wharton, S Smyth, S Beauchier have not previously been granted performance rights.
(2) Mr Peters ceased effective 14 November 2014 and therefore all Performance Rights were forfeited on cessation.
(3) Mr Kluver ceased effective 12 September 2014 and therefore no issue of Performance Rights were made in FY2015, In accordance with the plan terms and board approval, previous grants to Mr Kluver were pro-rata based on the period of service during the performance period.
(4) Mr Knaap resigned prior to 30 June 2015, therefore Performance Rights were forfeited.

Patties Foods Limited
Directors' report
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(continued)

Remuneration report (continued)
Managing Director and Senior Executives' Long Term Incentives (continued)
Shares in the company that were held during the financial year by key management personnel of the group

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

2015 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Patties Foods Limited				
Ordinary shares				
Mark G Smith - Chairman	139,000	-	157,000	296,000
Steven Chaur	-	-	52,988	52,988
Richard C Rijs	9,000,002	-	-	9,000,002
Harry J Rijs	9,500,000	-	-	9,500,000
Gregory J Dhnaram	200,000	-	-	200,000
J Curt Leonard	2,256,135	-	50,000	2,306,135
John Schmoll	70,000	-	30,000	100,000
Other key management personnel of the Group				
Ordinary shares				
M Knaap	11,234	-	-	11,234
Denis Gerrard (1)	-	-	-	-
J Pentney	11,234	-	10,670	21,904
Bethaney George (2)	-	-	-	-
Greg Wharton (3)	705	-	597	1,302
Stuart Smyth (4)	-	-	-	-
Steve Beauchier (5)	1,531	-	-	1,531
T Peters (6)	11,840	-	(11,840)	-
B Mitchell (7)	-	-	-	-
M Kluver (8)	825	-	(825)	-

(1) Mr Gerrard commenced 11 August 2014
(2) Ms George commenced 10 December 2014
(3) Mr Wharton became a KMP upon his promotion to the Role of General Manager Out of Home on 17 November 2014
(4) Mr Smyth commenced 8 December 2014
(5) Mr Beauchier became a KMP upon his promotion to the role of Group Manager Procurement on 24 September 2014
(6) Mr Peters ceased on 14 November 2014
(7) Ms Mitchell ceased on 12 September 2014
(8) Mr Kluver ceased on 12 September 2014

Remuneration report (continued)
Managing Director and Senior Executives' Long Term Incentives (continued)
2014

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Patties Foods Limited				
Ordinary shares				
Mark G Smith - Chairman	-	-	139,000	139,000
Gregory J Bourke	70,000	-	-	-
Richard C Rijs	8,764,905	-	235,097	9,000,002
Harry J Rijs	9,245,886	-	254,114	9,500,000
Gregory J Dhnaram	200,000	-	-	200,000
J Curt Leonard	2,175,351	-	80,784	2,256,135
John Schmoll	50,000	-	20,000	70,000
Other key management personnel of the Group				
Ordinary shares				
M Knaap	1,234	-	10,000	11,234
G Leyden	826	-	-	-
J Pentney	840	-	10,394	11,234
T Peters	8,000	-	3,840	11,840
M Kluver	825	-	-	825

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Managing Director and Senior Executives' Long Term Incentives (continued)
Value of performance rights granted, exercised and expired/forfeited in FY2015

Name	Financial Year		Fair value at grant date per share - Tranche 1	Fair value at grant date per share - Tranche 2	Exercised	Accounting Value Expired / forfeited (1)
			($) per share	($) per share	($)	($)
S Chaur	2015	TSR	1.06		-	
		EPS	1.06		-	-
M Knaap	2013	TSR	1.02	0.79	-	
		EPS	1.43	1.36	-	(313,520)
	2014	TSR	0.49	-	-	
		EPS	1.16	-	-	
	2015	TSR	1.03			
		EPS	1.03			
D Gerrard	2015	TSR	1.03		-	
		EPS	1.03		-	-
J Pentney	2013	TSR	1.02	0.79	-	
		EPS	1.43	1.36	-	(61,760)
	2014	TSR	0.49	-	-	
		EPS	1.16	-	-	
	2015	TSR	1.03			
		EPS	1.03			
T Peters (2)	2013	TSR	1.02	0.79	-	
		EPS	1.43	1.36	-	(313,520)
	2014	TSR	0.49	-	-	
		EPS	1.16	-	-	
	2015	TSR	1.03			
		EPS	1.03			
M Kluver (3)	2013	TSR	1.02	0.79	-	
		EPS	1.43	1.36	-	(89,254)
	2014	TSR	0.49	-	-	
		EPS	1.16			
	2015	TSR	1.03			

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Managing Director and Senior Executives' Long Term Incentives (continued)

		EPS	1.03	-	-	

(1) The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the tables above. Fair values at grant date are independently determined using a Monte-Carlo simulation methodology for the Relative TSR Hurdle component and Binomial tree methodology for the EPS Hurdle component, that takes into account the term of the performance rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance rights.
(2) Mr Peters ceased effective 14 November 2014 and therefore all Performance Rights were forfeited on cessation.
(3) Mr Kluver ceased effective 12 September 2014 and therefore no issue of Performance Rights were made in FY2015, In accordance with the plan terms and board approval, previous grants to Mr Kluver were pro-rata based on the period of service during the performance period.

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Remuneration report (continued)
Details of remuneration: Share-based compensation benefits

(i) *Performance rights*

The performance rights vest after three years, provided the vesting conditions are met. No performance rights will vest if the conditions are not satisfied. The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that are yet to be expensed.

Share-based compensation benefits (Performance Rights)

Name	Year granted	Type	Vested %	Forfeited %	Financial years in which Perf Rights may vest	Maximum total value of grant yet to vest (7) $
S Chaur	2015 (5)	Perf Right	-	-	18/9/2017	106,000
	2015 (6)	Perf Right	-	-	18/9/2017	106,000
M Knaap (9)	2013 (1)	Perf Right	-	100%	03/9/2015	-
	2013 (2)	Perf Right	-	100%	03/9/2015	-
	2014 (3)	Perf Right	-	100%	03/9/2016	-
	2014 (4)	Perf Right	-	100%	03/9/2016	-
	2015 (5)	Perf Right	-	100%	18/9/2017	-
	2015 (6)	Perf Right	-	100%	18/9/2017	-
D Gerrard	2015 (5)	Perf Right	-	-	18/9/2017	51,500
	2015 (6)	Perf Right	-	-	18/9/2017	51,500
J Pentney	2013 (1)	Perf Right	-	100%	03/9/2015	-
	2013 (2)	Perf Right	-	100%	03/9/2015	-
	2014 (3)	Perf Right	-	-	03/9/2016	26,100
	2014 (4)	Perf Right	-	-	03/9/2016	11,025
	2015 (5)	Perf Right	-	-	18/9/2017	38,625
	2015 (6)	Perf Right	-	-	18/9/2017	38,625
T Peters (7)	2013 (1)	Perf Right	-	100%	03/9/2015	-
	2013 (2)	Perf Right	-	100%	03/9/2015	-
	2014 (3)	Perf Right	-	100%	03/9/2016	-
	2014 (4)	Perf Right	-	100%	03/9/2016	-
	2015 (5)	Perf Right	-	-	18/9/2017	-
	2015 (6)	Perf Right	-	-	18/9/2017	-
M Kluver (8)	2013 (1)	Perf Right	-	100%	03/9/215	-
	2013 (2)	Perf Right	-	100%	03/9/2015	-
	2014 (3)	Perf Right	-	-	03/9/2016	10,153
	2014 (4)	Perf Right	-	-	03/9/2016	4,289
	2015 (5)	Perf Right	-	-	18/9/2017	-
	2015 (6)	Perf Right	-	-	18/9/2017	-

(1) 2013 LTIP Tranche 2 - EPS
(2) 2013 LTIP Tranche 2 - RTSR
(3) 2014 LTIP Tranche 1 - EPS
(4) 2014 LTIP Tranche 2 - RTSR
(5) 2015 LTIP Tranche 1 - EPS
(6) 2015 LTIP Tranche 2 - RTSR
(7) Mr Peters ceased on 14 November 2014
(8) Mr Kluver ceased on 12 September 2014
(9) Mr Knaap resigned pre 30 June 2015

Patties Foods Limited
Directors' report
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Shares under performance rights

Unissued ordinary shares of Patties Foods Limited under performance rights at the date of this report are as follows:

Date performance rights granted	Expiry date	Number under performance rights
19 August 2013	03/9/2016	152,506
18 September 2014	18/9/2017	375,000
Total		527,506

Loans to directors and executives

There are no loans to directors or executives at 30 June 2015 other than loans to executives of up to $1,000 under standard terms of the Group's exempt employee share plan, see note 24.

Prohibition on hedging by key management personnel

The Group has adopted a policy which prohibits key management personnel and their closely related parties from entering into an arrangement that has the effect of limiting the exposure of a member of the key management personnel to risk relating to an element of that member's remuneration. The policy complies with the requirements of s.206J of the Corporations Act 2001.

Insurance of officers

During the financial year, Patties Foods Limited paid a premium of $39,113 (2014: $35,726) to insure the directors and secretary of the Group and the executives of the Group.

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

Patties Foods Limited
Directors' report
30 June 2015
(continued)

Non-audit services

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

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

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

Details of the fees paid or payable for services provided by the auditor of the parent entity and its related practices are set out in note 25.

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 32.

Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

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

Mark G Smith

Mark G Smith
Chairman

Melbourne
24 August 2015

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Patties Foods Limited for the year ended 30 June 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Lisa Harker

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
24 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Patties Foods Limited
Corporate governance statement
30 June 2015

Corporate governance statement

The Patties Foods Limited board of directors (Board) is committed to achieving best practice in the area of corporate governance and business conduct. This statement outlines the main corporate governance principles and practices followed by Patties Foods Limited.

The Group's corporate governance practices were in place throughout the year ended 30 June 2015. The Board is comfortable that the practices are appropriate for a company of Patties Foods' size. Below are the main corporate governance practices in place (unless otherwise stated) throughout the reporting period in relation to the corporate governance principles and recommendations published by the ASX Corporate Governance Council.

Principle 1- Lay solid foundations for management and oversight

The Group has adopted a Board Charter which is available on the Group's website.

The Board Charter divides functions and responsibilities between the Board and senior executives, including the Managing Director. While the Board is responsible for the overall direction of the Group, day-to-day management and administration is delegated to the Managing Director and the senior executive team. The Board will regularly review the allocation of particular functions to ensure that it remains appropriate for the needs of the Group.

The Board is responsible for monitoring the performance of the Managing Director and other senior management. In addition, the Group has put processes in place for reviewing the performance of senior management against the Group's performance objectives and business plans.

Performance evaluation of senior executives takes place regularly and is in accordance with the processes referred to above.

In relation to newly appointed executives, an induction program is made available by the Group to enable them to gain an understanding of:

- the Group's financial position, strategies, operations and risk management policies; and
- the respective rights, duties and responsibilities of the Board and senior executives.

The Group has written agreements in place with the Chairman of the Board, the Managing Director and each senior manager of the Group setting out the terms of their appointment. Whilst all directors have a clear understanding of their respective roles and responsibilities this has not been reduced to writing at the time of the disclosure with respect to each other director as their appointments pre-date Recommendation 1.3. The Group intends to put in place written agreements with all directors in a timely manner and to require all new appointments to enter into a written agreement.

The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Principle 2- Structure the board to add value

The structure of the board of directors

The constitution and the Board charter govern the Board's composition. The Board Charter details the functions and responsibilities of the Board.

Board composition

The Board Charter states that the Board should comprise a majority of independent directors.

The Board seeks to ensure that the composition of the Board reflects the appropriate range of independence, skills, experience, expertise and diversity for the Group. The Remuneration and Nomination Committee is responsible for recommending candidates for appointment to the Board and the re-appointment of existing directors after reviewing the relevant person's skills, experience, expertise and background within the context of an appropriate matrix.

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principle 2- Structure the board to add value (continued)
Board composition (continued)
The minimum number of directors is three and the maximum number is ten. Directors will be elected at annual general meetings of the Group. The Group will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

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

Skills Matrix

The following matrix sets out the key skills and experience of the directors and whether such skills and experience are represented on the Board and its committees. The Directors' Report, on pages 7 to 10, also outlines the period of office, relevant skills, experience, expertise and background particular to each director in office at the date of this report.

Skills and Experience	**Board**	**Remuneration and Nomination Committee**	**Audit and Risk Committee**
Strategic Agility	Yes	Yes	Yes
Ability to think strategically and identify and critically asses strategic opportunities and threats and challenge the options in the context of the strategic objectives of Patties Foods.			
Financial Acumen	Yes	Yes	Yes
Senior experience in public company financial accounting, management and reporting			
Health and Safety	Yes	Yes	Yes
Experience in workplace health and safety			
Risk and Compliance Oversight	Yes	Yes	Yes
Ability to identify key risks to the company in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems.			
Corporate Governance	Yes	Yes	Yes
Knowledge & experience in best practice corporate governance structures, policies and processes.			
Executive Management	Yes	Yes	Yes
Experience at an executive level in a successful career.			
Marketing / Sales Experience	Yes	Yes	Yes
A broad range of commercial / business experience, in specific areas including marketing, sales, branding and business systems, export and innovation.			
Operational and Supply Chain Experience	Yes	Yes	Yes
Manufacturing, Operations and Supply Chain management experience across multiple operations nationally and/or internationally.			

The CEO and Managing Director brings a deep understanding of the Group's business and operations.

In addition, the Board, with the assistance of the Remuneration and Nomination Committee:

- considers the skills, background, knowledge, experience and diversity necessary to allow it to meet the Group's purpose;

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principle 2- Structure the board to add value (continued)
Board composition (continued)

- assesses the skills, background, knowledge, experience and diversity currently represented on the Board; and
- identifies any inadequacies in Board representation in these areas and agrees the process necessary to ensure a candidate is selected who brings them to the Board.

Directors' independence

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

An independent non executive director is one who:

- is independent of management;
- is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment;
- meets the criteria for independence set out in Box 2.1 of the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX Corporate Governance Council (Best Practice Recommendations);
- has not served on the Board for a period which could materially interfere with the director's ability to act in the best interests of the Group; and
- does not have any interest or business relationship which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Group.

'Materiality' for these purposes is assessed on a case by case basis having regard to the Group's and the relevant director's circumstances, including the significance of the relationship to the director in the context of the director's activities as a whole.

Mr S.C. Chaur, Mr. R.C. Rijs and Mr. H.J. Rijs are not considered to be independent directors due to their current or former executive roles or significant shareholdings or association with significant shareholdings.

The other directors, namely Mr. M.G. Smith, Mr. J.C. Leonard, Mr. G.J. Dhnaram and Mr. J.P. Schmoll are considered by the Board to be independent directors.

The length of service for each director is set out in the following table:

Director	Length of Service
Mr Mark Smith	2 years and 2 months
Mr Steven Chaur	1 year and 2 months
Mr Curt Leonard	12 years
Mr Richard Rijs	30 years
Mr Harry Rijs	26 years
Mr John Schmoll	5 years and 8 months
Mr Greg Dhnaram	7 years and 9 months

Independent professional advice

The Board and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice, at the Group's expense if the Chairman agrees.

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principle 2- Structure the board to add value (continued)
Chairman and Managing Director (MD)

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

The Managing Director is responsible for implementing Group strategies and policies.

The Board Charter specifies that these are separate roles to be undertaken by separate people.

It is the practice of the Board that, prior to commencement of each Board meeting, non-executive Board members meet without management being present.

Commitment

The Board held fourteen meetings and an additional strategic planning session during the year. Two meetings of the Group's Board of Directors was held at the Group's operational site in Bairnsdale.

The number of meetings of the Group's Board of Directors and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director is disclosed on page 10.

The commitments of non executive directors are considered prior to the director's appointment to the Board and are reviewed regularly as part of performance assessments.

Performance evaluation

The Board, with the assistance of the Remuneration and Nomination Committee, undertakes regular assessments of its collective performance as well as, the performance of its Chair and each director and of its committees.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss their assessment.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Remuneration and Nomination Committee and the Audit and Risk Committee. Each consists entirely of non-executive directors. Committee members are appointed for a one year term of office, after which their appointment may be subject to annual rotation at the discretion of the Board.

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

Other committees may be established by the Board as and when required. Membership of the Board committees will be based on the needs of the Group, relevant legislative and other requirements and the skills and experience of individual directors.

Remuneration and Nomination committee

The Remuneration and Nomination Committee consists of the following non-executive directors with the majority being independent:

Mark G Smith (Chairman);
J Curt Leonard; and
Richard C Rijs

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principle 2- Structure the board to add value (continued)
Remuneration and Nomination committee (continued)
The Remuneration and Nomination Committee met three times during the year ended 30 June 2015. The number of Remuneration and Nomination Committee meetings attended by these Directors are set out in the following table:

	Number of meetings attended
Mark G Smith	3
J Curt Leonard	3
Richard C Rijs	3

The Remuneration and Nomination Committee operates in accordance with a charter. The main responsibilities of the Committee in relation to nomination issues are to:

- Review the process for the nomination and selection of non-executive directors to the Board;
- Review succession plans and induction programs for the Group's non-executive directors and senior management;
- Review the induction programs for the Group's non-executive directors.

The Committee adopts the following process for the nomination and selection of non-executive directors to the PFL Board:

- ensuring regular review of the performance and effectiveness of the Board and considering any gaps in the skills, experience and diversity on the Board;
- before recommending the re appointment of an existing director or the appointment of a new director, reviewing that director's skill, experience and background within the context of the matrix of desired skills, experience and diversity;
- assisting in identifying, interviewing and recruiting candidates for the Board and utilising professional assistance where required.

The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Group. The Committee's nomination of existing directors for re-appointment is not automatic and is contingent on their past performance, contribution to the Group and the current and future needs of the Board and Group.

All new directors participate in a comprehensive induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

Audit and Risk Committee

The Audit and Risk Committee consists of the following non-executive directors with the majority being independent:

John P Schmoll (Chairman);
Harry J Rijs; and
Gregory J Dhnaram

The Audit and Risk Committee met four times during the year ended 30 June 2015. at the number of Audit and Risk Committee meetings attended by these Directors are set out in the following table:

	Number of meetings attended
John Schmoll	4
Harry J Rijs	4
Gregory J Dhnaram	4

The main responsibilities of the Committee are outlined in Principle 4 Safeguard integrity in financial reporting.

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principle 3- Act ethically and responsibly

Code of conduct

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

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

The Group has a strict approach to business courtesies and does not support facilitation payments and commissions. Bribes are absolutely prohibited.

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

The Group has a securities trading policy which outlines the restrictions, closed periods and processes required when directors, CEO and key management personnel trade PFL securities. Broadly, it states that the purchase and sale of Group securities by directors and employees is only permitted during the thirty day period following:

- the release of the half-yearly results to the market;
- the release of the full year results to the market; and
- the release of the Chairman's address for the Group's AGM.

Any trading undertaken by directors must be notified to the company secretary and Chairman.

The Code and the Group's securities trading policy are provided to each new employee as part of their induction training.

A copy of the securities trading policy are available on the Group's website.

Diversity

The Group is an equal opportunity employer and welcomes people from a diverse range of backgrounds. Workplace diversity refers to the variety of differences between people in an organisation. It recognises that diversity encompasses gender, race, ethnicity, age, disability and cultural background among other matters.

Patties Foods believes that embracing diversity in its workforce contributes to the achievement of its corporate objectives and enhances its reputation.

The Group is committed to achieving the goals of providing access to equal opportunities at work based on merit and fostering a corporate culture that embraces and values diversity.

The Group adopted a Group Diversity Policy in 2011 that sets out the diversity initiatives for Patties Foods Ltd. The objectives of the policy are to ensure that Patties Foods;

- provides access to equal opportunities at work based on merit,
- fosters a corporate culture that embraces and values diversity,
- establishes measurable objectives for achieving gender diversity, and

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principle 3- Act ethically and responsibly (continued)
Diversity (continued)

- reviews and assesses, at least annually, both the measurable objectives and Patties Foods' progress in achieving them.

The measurable objectives established by the Board in 2011;

- increasing the representation of women on the Board as vacancies and circumstances allow from 0% in 2012 to 14% by June 2015. As of 30 June 2015 there has been no change from 2014, however as vacancies arise the Board will seek to appoint a female director.

- increasing the representation of women on the senior executive team as vacancies and circumstances allow from 0% to 14% by June 2015. As of 30 June 2015 the representation of women on the senior executive team is 12%.

- increasing the representation of women on the senior leaders group from 26% in 2012 to 37% by June 2015. As of 30 June 2015 the representation of women on the senior leaders group is 27%.

- strengthen the talent pipeline to ensure the representation of women in the high potential talent matrix increases from 18% to 30% by December 2015. As of 30 June 2015 the representation of women in the high potential talent matrix is 40%.

The proportion of women employed by the Group as at 30 June 2015 was 46%.

A number of initiatives have been introduced to assist achieve the measurable objectives including;

- Implementing a talent review process with a particular focus on the development programs required to increase the representation on women considered as high potential under the Patties Foods Talent Management System;
- Ensuring that all applicants for positions which are internally and externally advertised are interviewed by a selection panel which includes at least one female interviewer;
- Assessing gender pay equity on an annual basis;
- Implementing flexible work arrangements to achieve successful maternity leave return to work outcomes and to support employees with family responsibilities; and
- Implementing a program to support employees in sourcing home help, such as child carers, cleaners and gardeners, providing them with greater flexibility over the non-work aspects of their lives.

To assist the Board in fulfilling its responsibilities in relation to Diversity the implementation of these objectives is overseen by the Remuneration and Nomination Committee chaired by the Chairman of the Board.

The policy is subject to periodic review by, and may be changed by resolution of, the Board. The policy has no contractual effect.

The Remuneration and Nomination Committee is responsible for assisting the Board to effectively implement its Diversity Policy.

To assist the Board to fulfill its responsibilities, the Remuneration & Nomination Committee shall:

- regularly oversee a review of the relative proportion of men and women across the whole of Patties Foods' organisation, in senior management positions and the Board, respectively;

- report to the Board on the findings of such reviews and its recommendations for the objectives to be set by the Board for achieving gender diversity, having regard to any gaps identified by such reviews; and

- report to the Board, at least annually, on Patties Foods' progress in achieving the objectives set by the Board for achieving gender diversity;

Principle 3- Act ethically and responsibly (continued)
Diversity (continued)

- consider other initiatives to promote diversity in the workplace.

Principle 4- Safeguard integrity in financial reporting

It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficacy of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit and Risk Committee.

The Audit and Risk Committee has a formal charter approved by the Board. It consists of 3 non-executive directors with the most applicable expertise and skills for this Committee and shall comprise a majority of independent directors. The chairman of the Committee is not the chairman of the Board. The Managing Director and the Chief Financial Officer are invited to meetings of the Committee at the discretion of the Committee.

The main responsibilities of the Committee are to:

- review and report to the Board on the annual report, the annual and half year financial reports and all other financial information published by the Group or released to ASX;
- assist the Board in reviewing the effectiveness of the Group's internal control environment covering effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations;
- oversee the effective operation of the risk management framework - see Principle 7 below;
- recommend to the Board the appointment, removal and remuneration of the external auditors and review the terms of their engagement, and the scope and quality of the audit; and
- review and assess the key operational and financial risks that can impact on the Group's business - see Principle 7 below.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records, risk management systems and internal compliance and controls of the Group have been properly maintained, the Group's financial reports for the financial period ended 30 June 2015 comply with the accounting standards and present a true and fair view of the Group's financial position and performance. This statement is required twice a year in respect of each reporting period.

The external auditor is invited to meetings of the Committee at the discretion of the Committee. The external auditor met with the Committee 4 times during the period.

The Committee's charter may be found on the Group's website.

Principles 5 - Make timely and balanced disclosures

The Group has a written continuous disclosure policy. This document may be found on the Company's website. The Group, its directors and staff are very much aware of continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure.

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principles 6 - Respect the rights of shareholders

The Group provides shareholders with information using a continuous disclosure policy which includes identifying matters that may have a material effect on the price or value of the Group's securities, notifying them to ASX, posting them on the Group's website and issuing media releases.

The Group has a communications strategy to promote effective communication with shareholders. Subject to the ASX listing rules on disclosure, the Group communicates regularly with shareholders, brokers and analysts and maintains a review of information about itself and its governance on its website. Shareholders have the option to receive communications from the Group and its security registry electronically.

Shareholders are encouraged to attend the Group's AGM and use this opportunity to ask questions. The directors are available at the AGM to answer questions from the shareholders. Shareholders are also provided the opportunity to submit comments and questions to the Group and the Group's external auditor in advance of the AGM. The external auditor attends the AGM and is available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7- Recognise and manage risk

The Group believes that there is a need for formal policies on risk oversight and management and accordingly risk matters are regularly addressed at Board meetings.

The Board has required senior management to design and implement a risk management and internal control system to manage the Group's material business and financial risks. The Group's internal audit function comprises the Board and senior management, individually and collectively, reviewing the risk management framework and internal control system, assessments thereof and responses thereto regularly with periodic review by the Audit and Risk Committee.

The Board has required management to report to it on the manner in which those risks are being managed effectively. Management has provided its report on the manner in which those risks are being managed effectively to the Board.

Senior management reported to the Audit and Risk Committee as to the effectiveness of the Group's management of material business and financial risks.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the section 295A declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks and policies adopted by the Board of Directors.

The Group's policies on risk oversight and management of material business risks may be found in the Audit and Risk Committee Charter. This document may be found on the Company's website.

The Group considers that it does not have any material exposure to economic, environmental and social sustainability risks.

Patties Foods Limited
Corporate governance statement
30 June 2015
(continued)

Principle 8- Remunerate fairly and responsibly

Remuneration and Nomination Committee

The Group has a Remuneration and Nomination Committee.

The Remuneration and Nomination Committee consists of the following directors with the majority being independent:

Mark G Smith (Chairman);
J Curt Leonard; and
Richard C Rijs

Details of these directors' attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report on page 10.

The Remuneration and Nomination Committee operates in accordance with a charter. This document may be found on the Group's website. The main responsibilities of the Committee in relation to remuneration issues are to:

• Provide advice in relation to remuneration packages of key management, non-executive directors and executive directors, equity-based incentive plans and other employee benefit programs;

• Review the Group's recruitment, retention and termination policies as well as succession plans of key management and executives;

• Review remuneration by gender at all levels of the Group;

• Review the Group's superannuation arrangements;

• Consider those aspects of the Group remuneration policies and packages, including equity-based incentives, which should be subject to shareholder approval;

• Review staff resourcing trends and metrics; and

• Review other relevant matters identified from time to time, or requested by the Board.

The Committee has a minimum of three directors, all of whom are non-executive directors, and is chaired by an independent chair.

At the discretion of the Committee, internal specialists or external advisors may be invited to Remuneration and Nomination Committee meetings, subject to the requirements of s206K, 206L and 206M in relation to the engagement of a remuneration consultant. The Committee meets at least two times a year, and additionally as required for it to undertake its role effectively.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading 'Remuneration Report'.

The Group has an equity-based remuneration scheme whereby entering into an arrangement which limits the economic risk of participating in rights that have not vested or have vested but remain subject to a holding lock is expressly prohibited. Rights allocated to a participant are liable to forfeiture if the participant breaches this prohibition.

Retirement allowances for directors

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

Patties Foods Limited ABN 62 007 157 182
Annual report - 30 June 2015

Contents

Patties Foods Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2015

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000
Revenue from continuing operations			
Sale of goods	5	256,203	247,052
Other revenue from ordinary activities	5	647	605
		256,850	**247,657**
Other income		8	8
Cost of sales of goods		(172,080)	(161,222)
Distribution		(29,180)	(28,587)
Sales and marketing		(22,625)	(22,246)
Administration		(12,153)	(11,545)
Other	6	(3,273)	-
Impairment loss	6	(10,300)	-
Finance costs	6	(3,738)	(3,658)
Share of net profit of associates accounted for using the equity method	30(a)	1,904	1,945
Profit before income tax		5,413	22,352
Income tax expense	7	(3,358)	(5,669)
Profit from continuing operations		**2,055**	**16,683**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	22(a)	519	(1,343)
Income tax relating to components of other comprehensive income		(155)	403
Other comprehensive income for the year, net of tax		**364**	**(940)**
Total comprehensive income for the year		**2,419**	**15,743**
Profit is attributable to:			
Owners of Patties Foods Limited		2,055	16,683
		2,055	**16,683**
Total comprehensive income for the year is attributable to:			
Owners of Patties Foods Limited		2,419	15,743
		2,419	**15,743**
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the parent entity :			
Basic earnings per share	32	**1.5**	12.0
Diluted earnings per share	32	**1.5**	12.0

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

Patties Foods Limited
Consolidated balance sheet
As at 30 June 2015

	Notes	Consolidated 2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	664	88
Receivables	9	52,391	46,818
Inventories	10	49,910	44,976
Derivative financial instruments	17	67	-
Total current assets		**103,032**	**91,882**
Non-current assets			
Investments accounted for using the equity method	11, 30(a)	12,064	10,833
Property, plant and equipment	12	76,505	74,415
Intangible assets	14	56,590	66,900
Total non-current assets		**145,159**	**152,148**
Total assets		**248,191**	**244,030**
LIABILITIES			
Current liabilities			
Payables	15	26,778	30,050
Borrowings	16	2,500	2,504
Derivative financial instruments	17	69	677
Current tax liabilities		356	1,247
Provisions	18	4,872	4,413
Total current liabilities		**34,575**	**38,891**
Non-current liabilities			
Borrowings	19	72,350	61,250
Deferred tax liabilities	20	6,087	5,623
Provisions		233	294
Derivative financial instruments	17	984	828
Total non-current liabilities		**79,654**	**67,995**
Total liabilities		**114,229**	**106,886**
Net assets		**133,962**	**137,144**
EQUITY			
Contributed equity	21	68,797	68,682
Reserves	22(a)	(583)	(894)
Retained earnings	22(b)	65,748	69,356
Total equity		**133,962**	**137,144**

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 year ended 30 June 2015

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013		68,571	6	62,550	131,127
Profit for the year		-	-	16,683	16,683
Changes in the fair value of cash flow hedges, net of tax		-	(940)	-	(940)
Total comprehensive income for the year		-	(940)	16,683	15,743
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	23	-	-	(9,877)	(9,877)
Employee Share Options	22	-	40	-	40
Employee share scheme issue	21	111	-	-	111
		111	40	(9,877)	(9,726)
Balance at 30 June 2014		**68,682**	**(894)**	**69,356**	**137,144**
Balance at 1 July 2014		68,682	(894)	69,356	137,144
Profit for the year		-	-	2,055	2,055
Changes in the fair value of cash flow hedges, net of tax		-	364	-	364
Total comprehensive income for the year		-	364	2,055	2,419
Transactions with owners in their capacity as owners:					
Controlling interest on acquisition of associate	21	-	-	(236)	(236)
Dividends provided for or paid	23	-	-	(5,427)	(5,427)
Employee Share Options	22	-	(53)	-	(53)
Employee share scheme issue	21	115	-	-	115
		115	(53)	(5,663)	(5,601)
Balance at 30 June 2015		**68,797**	**(583)**	**65,748**	**133,962**

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 year ended 30 June 2015

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		267,833	272,907
Payments to suppliers and employees (inclusive of goods and services tax)		(254,880)	(240,325)
		12,953	32,582
Income taxes paid		(3,933)	(5,744)
Borrowing costs paid		(3,753)	(3,676)
Net cash inflow from operating activities	**31**	**5,267**	**23,162**
Cash flows from investing activities			
Payments for property, plant and equipment	12	(10,726)	(9,267)
Payments for intangibles		(425)	(800)
Proceeds from sale of property, plant and equipment		400	-
Acquisition of controlled associate		(239)	-
Dividends received	30(a)	500	1,000
Interest received		15	17
Net cash (outflow) from investing activities		**(10,475)**	**(9,050)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		115	111
Proceeds from borrowings		101,825	114,350
Repayment of borrowings		(90,725)	(116,850)
Dividends paid to group's shareholders	23	(5,427)	(9,877)
Net cash inflow (outflow) from financing activities		**5,788**	**(12,266)**
Net increase/ in cash and cash equivalents		580	1,846
Cash and cash equivalents at the beginning of the financial year		84	(1,762)
Cash and cash equivalents at end of year	**8, 16**	**664**	**84**

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015

Contents of the notes to the consolidated financial statements

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) *Compliance with IFRS*

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

(ii) *Historical cost convention*

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

(iii) *Critical accounting estimates*

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

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2015 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

The acquisition method of accounting is used to account for business combinations by the Group.

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

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 30).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)
(ii) Associates (continued)

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

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Patties Leadership Team.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(e) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividends

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(iv) *Caravan park income*

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

(f) Government grants

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

(g) Income tax

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

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

Management have determined that deferred tax assets and deferred tax liabilities associated with indefinite lived intangibles (note 1(p)) should be measured using the tax consequences that would follow from the sales of these assets. This is on the basis that the assets have an indefinite life and are likely to be recovered through sale rather than use.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

(i) *Tax consolidation legislation*

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

(h) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

1 Summary of significant accounting policies (continued)

(k) Trade and other receivables (continued)

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

(l) Inventories

(i) Raw materials and stores, work in progress and finished goods

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

(m) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(n) Investments and other financial assets

Classification

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

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor or other party with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet (note 9).

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

1 Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss -measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in the profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.
If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently the Group only has derivatives designated as cash flow hedges which are hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions.
The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 17. Movements in the hedging reserve in shareholder's equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

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

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

1 Summary of significant accounting policies (continued)

(o) Derivatives and hedging activities (continued)

(ii) *Derivatives that do not qualify for hedge accounting*

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

(p) Property, plant and equipment

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

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

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

- Buildings	2.5% - 5.0%
- Plant and equipment	7.5% - 66.60%
- Leased plant	7.5% - 18.75%
- Equipment held at third parties	7.5% - 33.33%

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

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

(q) Intangible assets

(i) *Goodwill*

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

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

1 Summary of significant accounting policies (continued)

(q) Intangible assets (continued)

(ii) *Brand names*

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

(iii) *Supply and distribution rights*

Supply and distribution rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of distribution rights over their estimated useful lives, which is 3-5 years.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Provisions

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

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

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

1 Summary of significant accounting policies (continued)

(v) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Long-Term Incentive Plan and an Exempt Employee Plan offer. Information relating to these schemes is set out in note 33.

The fair value of options granted under the Long-Term Incentive Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(w) Contributed equity

Ordinary shares are classified as equity (note 21).

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

If the entity reacquires its own equity instruments, for example as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including and directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(x) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date. Dividends declared but not distributed at 30 June 2015 were nil (2014: nil).

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

1 Summary of significant accounting policies (continued)

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) Goods and Services Tax (GST)

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

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

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

(aa) Rounding of amounts

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

(ab) New accounting standards and interpretations

The Group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2014:

(i) AASB 2012-4 *Amendments to Australian Accounting Standards arising from Annual Improvements 2012-2014 Cycle, and*
(ii) AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

The adoption of AASB2013-3 had a small impact on the impairment disclosures. Other than that, the adoption of this standard did not have any impact on the current period or any prior period and is not likely to affect future periods.

There are no standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ac) Parent entity financial information

The financial information for the parent entity, Patties Foods Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

2 Financial risk management

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

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

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, including US dollar, Euro, NZ dollar and Danish Kroner.
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. These commercial transactions relate to the procurement of raw materials, finished goods and items of plant and equipment. Export sales represent less than 1% of the Group's sales revenue and therefore are not recognised as a source of foreign exchange risk. Management determined that some specific hedges were required for FY2015 and FY2014 for purchases of specific items of plant and equipment and commodity based raw material inputs. The Group's risk management policy, approved by the Board of Directors, includes a requirement to hedge approximately 70%-80% of the identifiable foreign exchange requirements for a 6 to 9 month period to provide some certainty in its cost of raw materials and 100% of the purchase cost of plant and equipment when the commitment is approved. No other hedging activities took place as the exposure was immaterial to the Group's overall result. Management will continue to review this exposure and take actions to hedge exposure if deemed appropriate.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2015			30 June 2014		
	USD$'000	**NZD$'000**	**EUR$'000**	**USD$'000**	**NZD$'000**	**EUR$'000**
Trade receivables	-	(36)	-	-	-	-
Trade payables	(1,158)	-	-	(3,971)	(346)	(518)
Forward exchange contracts						
- buy foreign currency (cash flow hedges)	5,020	-	52	19,162	551	431
Net exposure	**3,862**	**(36)**	**52**	**15,191**	**205**	**(87)**

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

2 Financial risk management (continued)

(a) Market risk (continued)

(ii) *Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
Group policy is to maintain approximately 50% of its borrowings at fixed rates using interest rate swaps to achieve this when necessary. During 2015 and 2014, the Group's borrowings were at both fixed (through interest rate swaps) and variable rates and were denominated in Australian Dollars. During 2015, the Group's variable interest rate was based on BBSY and a margin.

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

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Bank overdrafts and bank bills	74,850	63,750
Interest rate swaps (notional principal amount)	(35,000)	(35,000)
Net exposure to cash flow interest rate risk	**39,850**	**28,750**

At 30 June 2015, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $281,000 lower/higher (2014 - $273,000 lower/higher), as a result of higher/lower interest expense from variable rate borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Compliance with credit limits by customers is regularly monitored by line management.
In addition, trade credit insurance is taken over the non-grocery customer base. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets less the proceeds from applicable insurance recoveries.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
The Group had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Expiring beyond one year	13,500	14,100

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities

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

Contractual maturities of financial liabilities	**Less than 12 months**	**Between 1 and 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
At 30 June 2015				
	$'000	**$'000**	**$'000**	**$'000**
Non-derivatives				
Non-interest bearing	27,819	-	27,819	27,819
Variable rate*	2,623	85,493	88,116	63,750
Total non-derivatives	**30,442**	**85,493**	**115,935**	**91,569**
Derivatives				
Interest rate swaps				
- net settled	-	-	-	(1,053)
Forward foreign exchange contracts				
- (inflow)	(6,528)	-	(6,528)	-
- outflow	6,595	-	6,595	-
- total	-	-	-	67
Total derivatives	**67**	**-**	**67**	**(986)**

	Less than 12 months	**Between 1 and 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
At 30 June 2014				
	$'000	**$'000**	**$'000**	**$'000**
Non-derivatives				
Non-interest bearing	30,040	-	30,040	30,040
Variable rate*	2,652	67,247	69,899	63,750
Total non-derivatives	**32,692**	**67,247**	**99,939**	**93,790**
Derivatives				
Interest rate swaps				
- net settled	-	-	-	(828)
Forward foreign exchange contracts				
- (inflow)	(23,438)	-	(23,438)	-
- outflow	22,761	-	22,761	-
- total	-	-	-	(677)
Total derivatives	**(677)**	**-**	**(677)**	**(1,505)**

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

2 Financial risk management (continued)

(d) Fair value measurements

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

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014:

At 30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivatives used for hedging	-	(986)	-	(986)

At 30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivatives used for hedging	-	(1,505)	-	(1,505)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise derivative financial instruments.

3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(i) *Estimated impairment of goodwill and indefinite lived intangibles*

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

Specifically, in 2015 the Frozen fruit product business brand names were fully impaired, by $10,300,000, following the recall in February 2015. There was judgement involved in determining whether the brand names were fully impaired, including determine expected future cash flows from the sale of frozen fruit products. For further information refer note14.

(ii) *Income taxes*

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes, in particular, research and development. The Group recognises liabilities for anticipated tax issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.
Were the actual final outcomes (on the judgement areas) to differ by 20% from management's estimates, the Group would need to:
- increase the income tax liability by $80,000 and the income tax expense by $80,000 if unfavourable, or
- decrease the income tax liability by $80,000 and the income tax expense by $80,000 if favourable.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)
(iii) *Indefinite lived intangibles*

Management has determined that deferred tax assets and deferred tax liabilities associated with indefinite lived intangibles should be measured using the tax consequences that would follow from the sale of that asset. This is on the basis that these assets are not amortised and therefore the carrying amount of the asset reflects the value recoverable from the sale of the asset.
Should this assumption change and management determine that the carrying value is greater than the value recoverable from sale, and record a significant impairment charge, there will be an associated change in the value of the deferred tax assets and tax liabilities which would be taken through that year's earnings.

(iv) *Carrying value of frozen berry inventory*

Management have estimated the impact of the frozen fruit recall on the rate of sale of frozen fruit inventory and have raised a provision against this inventory. This figure has been arrived at after assessing current rates of sale, discounts, allowances and return levels.

As at 30 June 2015, the provision had a carrying amount of $3,000,000 (2014 - $0). Were rates of sales to differ by 10% from management’s estimates, the inventory provisions would be an estimated $120,000 higher or lower (2014 - $0 higher/lower).

(v) *Product recall costs*

Patties Foods Limited have incurred significant one off costs associated with the frozen fruit recall. These include stock write off costs, stock disposal costs, advertising and consultancy costs.

4 Segment information

The economic entity operated predominantly in one operating segment during the year, 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.

(i) *Segment revenue*

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Total segment revenue	256,203	247,052
Interest revenue	15	17
Other revenue	632	588
Total revenue from continuing operations (note 5)	**256,850**	**247,657**

The entity is domiciled in Australia. Over 99% of its revenue is derived from external customers in Australia, with the remainder being exports.
Of the total revenue, $145,708,000, or 56.8%, is derived from three significant external customers (2014: $136,421,000, or 55.3%).
This is split $65,818,000 (2014: $58,825,000) from the first customer, $56,612,000 (2014: $56,023,000) from the second customer and $23,278,000 (2014: $21,572,000) from the third customer.

(ii) *Segment assets*

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is $133,095,000 (2014 - $141,315,000). There are no non-current assets located in other countries (2014 - $nil).

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

5 Revenue

	Consolidated	
	2015	**2014**
	$'000	**$'000**
From continuing operations		
Sales revenue		
Sale of goods	256,203	247,052
Other revenue		
Rent	14	21
Interest	15	17
Sundry	618	567
	647	605
	256,850	**247,657**

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

6 Expenses

	Consolidated 2015 $'000	2014 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	872	881
Property, plant and equipment	7,109	6,636
Total depreciation	**7,981**	**7,517**
Amortisation		
Intangible assets	435	393
Employee benefits expenses		
Employee benefits expense	44,063	45,621
Finance expenses		
Interest and finance charges paid/payable	3,875	3,709
Amount capitalised (a)	(137)	(51)
Finance costs expensed	**3,738**	**3,658**
Rental expense relating to operating leases		
Minimum lease payments	2,263	2,278
Research and development	715	452
Impairment losses - financial assets		
Trade receivables	-	2
Significant items (b)		
Organisational restructuring (i)	1,131	-
Net (of recoveries) of recall costs (ii)	273	-
Inventory provision (ii)	3,000	-
Impairment loss of frozen fruit product business (ii)	10,300	-
Total Significant items	**14,704**	**-**

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

6 Expenses (continued)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 4.6% (2014: 4.2%).

(a) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 4.6% (2014: 4.2%).

(b) Significant Items

(i) 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.

(ii) Following notification from the Victorian Department of Health and Human Services on 13 February 2015 of a potential Hepatitis A contamination of Nanna's brand Mixed Berries 1kg packs, on 14 February 2015 Patties Foods initiated the first of three voluntary recalls of the Company's frozen berry products.

In FY2014, there is no significant item.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

7 Income tax expense

(a) Income tax expense

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current tax	3,671	5,812
Deferred tax	101	(6)
(Under)/over provision of current tax in prior periods	(414)	(137)
	3,358	**5,669**
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 13)	(1,301)	20
(Decrease) increase in deferred tax liabilities (note 20)	1,402	(26)
	101	**(6)**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated 2015 $'000	Consolidated 2014 $'000
Profit from continuing operations before income tax expense	**5,413**	**22,352**
Tax at the Australian tax rate of 30% (2014 - 30%)	1,624	6,707
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Frozen fruit brand impairment	3,090	-
Entertainment	31	30
Share of net profit of associates	(571)	(592)
Sundry items	1	(6)
Legal fees	13	5
Research and development	(400)	(350)
Share option expenses	(16)	12
	3,772	**5,806**
Adjustments for current tax of prior periods	(414)	(137)
Total income tax expense	**3,358**	**5,669**

(c) Amounts recognised directly in equity

	Consolidated 2015 $'000	Consolidated 2014 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax - debited (credited) directly to equity	(156)	403

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
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8 Current assets - Cash and cash equivalents

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Cash in hand	1	1
Cash at bank	663	87
	664	**88**

(a) Cash in hand

This is non interest bearing.

(b) Cash at bank

The average effective interest rate on short-term bank deposits was 1.40% (2014 - 1.58%).

9 Current assets - Receivables

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Trade receivables	58,146	51,335
Provision for claims, discounts, rebates and allowances	(9,822)	(8,777)
Provision for impairment of receivables	-	(2)
	48,324	**42,556**
Other receivables		
Other receivables (b)	2,207	1,323
Employee share purchase loans	64	59
	2,271	**1,382**
Prepayments	1,796	2,880
	52,391	**46,818**

(a) Credit risk

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

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Not past due	54,762	47,054
Past due 1-30 days	1,197	2,049
Past due 31-60 days	704	1,539
Past due 60+ days	1,483	693
	58,146	**51,335**

As of 30 June 2015, there was nil impairment in trade receivables (2014 - $2,000).

The maximum exposure to credit risk for trade receivables at the reporting date is the carrying amount of the financial assets less the proceeds from applicable insurance recoveries.

9 Current assets - Receivables (continued)

(a) Credit risk (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2015 $'000	**2014 $'000**
At 1 July	2	-
Provision for impaired receivables recognised during the year	-	2
Receivables written off during the year as uncollectible	(2)	-
	-	**2**

The other classes within trade and other receivables do not contain impaired assets and are not past due (note 2(b)). Based on the credit history of other receivables, these amounts are expected to be received when due.

(b) Other receivables

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

(c) Fair value

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

10 Current assets - Inventories

	Consolidated	
	2015 $'000	**2014 $'000**
Raw materials and stores		
- at cost	17,366	14,438
Finished goods		
- at cost	29,456	27,704
Other inventories		
- at cost	85	179
Spare parts		
- at cost	3,003	2,655
	49,910	**44,976**

(a) Inventory expense

Inventories expensed during the year ended 30 June 2015 amounted to $117,076,655 (2014: $118,944,316). Inventories written down to net realisable value during the year ended 30 June 2015 amounted to $3,355,814 (2014: $581,523). A provision for $3,000,000 has also been raised against Frozen Fruit inventory (note 6).

11 Non-current assets - Investments accounted for using the equity method

	Consolidated	
	2015 $'000	**2014 $'000**
Interest in associates	12,064	10,833

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer note1(b)(ii)). Refer note 30 for reconciliation of investment.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
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12 Non-current assets - Property, plant and equipment

	Construction in progress $'000	Land and buildings $'000	Plant and equipment $'000	Equipment held at 3rd parties $'000	Total $'000
At 1 July 2013					
Cost or fair value	2,522	29,525	88,004	7,611	127,662
Accumulated depreciation	-	(6,420)	(43,261)	(5,316)	(54,997)
Net book amount	**2,522**	**23,105**	**44,743**	**2,295**	**72,665**
Year ended 30 June 2014					
Opening net book amount	2,522	23,105	44,743	2,295	72,665
Additions	7,412	2	1,339	514	9,267
Depreciation charge	-	(881)	(5,822)	(814)	(7,517)
Transfers	(2,439)	52	2,387	-	-
Closing net book amount	**7,495**	**22,278**	**42,647**	**1,995**	**74,415**
At 30 June 2014					
Cost or fair value	7,495	29,579	91,730	8,125	136,929
Accumulated depreciation	-	(7,301)	(49,083)	(6,130)	(62,514)
Net book amount	**7,495**	**22,278**	**42,647**	**1,995**	**74,415**
Year ended 30 June 2015					
Opening net book amount	7,495	22,278	42,647	1,995	74,415
Additions	6,754	2,213	1,142	616	10,725
Assets included in a disposal group classified as held for sale and other disposals	-	-	(654)	-	(654)
Depreciation charge	-	(872)	(6,288)	(821)	(7,981)
Transfers	(9,904)	1,320	8,584	-	-
Closing net book amount	**4,345**	**24,939**	**45,431**	**1,790**	**76,505**
At 30 June 2015					
Cost	4,345	33,112	100,802	8,741	147,000
Accumulated depreciation	-	(8,173)	(55,371)	(6,951)	(70,495)
Net book amount	**4,345**	**24,939**	**45,431**	**1,790**	**76,505**

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

13 Non-current assets - Deferred tax assets

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000
The balance comprises temporary differences attributable to:			
Employee benefits		1,531	1,412
Capitalised transaction costs		254	238
Cash flow hedges		296	452
Fixed assets		8	38
		2,089	**2,140**
Other			
Doubtful debts		-	1
Accruals		1,394	198
Sub-total other		**1,394**	**199**
Total deferred tax assets		**3,483**	**2,339**
Set-off of deferred tax liabilities pursuant to set-off provisions	20	(3,483)	(2,339)
Net deferred tax assets		**-**	**-**
Deferred tax assets expected to be recovered within 12 months		1,232	-
Deferred tax assets expected to be recovered after more than 12 months		2,251	2,339
		3,483	2,339

Movements - Consolidated	Employee Benefits $'000	Fixed assets $'000	Capitalised transaction costs $'000	Cash flow hedges $'000	Impaired receivables $'000	Accruals $'000	Total $'000
At 1 July 2013	1,463	68	238	49	-	138	1,956
- to profit or loss	(51)	(30)	-	-	1	60	(20)
- directly to equity	-	-	-	403	-	-	403
At 30 June 2014	**1,412**	**38**	**238**	**452**	**1**	**198**	**2,339**
(Charged)/credited							
- to profit or loss	119	(30)	16	(452)	(1)	1,196	848
- directly to equity	-	-	-	296	-	-	296
At 30 June 2015	**1,531**	**8**	**254**	**296**	**-**	**1,394**	**3,483**

Patties Foods Limited
Notes to the consolidated financial statements
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(continued)

14 Non-current assets - Intangible assets

	Goodwill $'000	Brands $'000	Supply & distribution rights $'000	Other $'000	Total $'000
At 1 July 2013					
Cost	825	64,865	1,544	1,292	68,526
Accumulation amortisation and impairment	-	-	(1,211)	(822)	(2,033)
Net book amount	**825**	**64,865**	**333**	**470**	**66,493**
Year ended 30 June 2014					
Opening net book amount	825	64,865	333	470	66,493
Acquisition	-	-	800	-	800
Amortisation charge*	-	-	(250)	(143)	(393)
Closing net book amount	**825**	**64,865**	**883**	**327**	**66,900**
Cost	825	64,865	2,344	1,292	69,326
Accumulation amortisation and impairment	-	-	(1,461)	(965)	(2,426)
Net book amount	**825**	**64,865**	**883**	**327**	**66,900**
At 30 June 2014					
Cost	825	64,865	2,344	1,292	69,326
Accumulation amortisation and impairment	-	-	(1,461)	(965)	(2,426)
Net book amount	**825**	**64,865**	**883**	**327**	**66,900**
Year ended 30 June 2015					
Opening net book amount	825	64,865	883	327	66,900
Acquisition	-	-	425	-	425
Amortisation charge*	-	-	(320)	(115)	(435)
Impairment charge	-	(10,300)	-	-	(10,300)
Closing net book amount	**825**	**54,565**	**988**	**212**	**56,590**
At 30 June 2015					
Cost	825	54,565	2,769	1,292	59,451
Accumulated amortisation	-	-	(1,781)	(1,080)	(2,861)
Net book amount	**825**	**54,565**	**988**	**212**	**56,590**

* Amortisation of $435,000 (2014 - $393,000) is included in depreciation and amortisation expense in profit or loss.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

14 Non-current assets - Intangible assets (continued)

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

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

The recoverable amount of a CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period have a residual value calculated using the estimated long term growth rates.
The growth rate is the mid-range of consensus of the long term growth rates.

2015	Goodwill $'000	Brands $'000
Sweet and savoury frozen bakery product business*	825	54,565

2014	Goodwill $'000	Brands $'000
Sweet and savoury frozen bakery product business*	825	54,565
Frozen fruit product business	-	10,300
	825	**64,865**

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

CGU	Growth rate **		Discount rate ***	
	2015 %	2014 %	2015 %	2014 %
Sweet and savoury frozen bakery product business	7.8	6.2	12.6	12.6
Frozen fruit product business	(0.7)	6.4	12.6	12.6

** Growth rate used to extrapolate cash flows beyond the one year budget period for the forecast period to 2019.
A 1.3% growth rate has been applied beyond 2019 for Sweet and savoury frozen bakery product.
*** The discount rates used are pre-tax and are based on the company weighted average cost of capital.

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

(c) Impairment of Frozen fruit product business

The impairment charge of $10,300,000 arose in the Frozen fruit product business following the recall in February 2015 significantly impacting the Frozen fruit category.
The impairment loss of $10,300,000 has been allocated against Brands of the Frozen fruit product business. No class of asset other than Brands were impaired.

(d) Impact of possible changes in key assumptions

Sweet and savoury frozen bakery product business
A reasonably possible change in any of the key assumptions would not result in the CGU carrying amount exceeding the recoverable amount.

Frozen fruit product business
There is no further intangible asset value remaining on the balance sheet for the Frozen fruit product business. The carrying value of the working capital has been written down to net recoverable value where appropriate.
As a result, any reasonably possible change in any of the key assumptions would not result in the CGU carrying amount exceeding the recoverable amount.

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Notes to the consolidated financial statements
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15 Current liabilities - Payables

	Consolidated	
	2015 $'000	**2014 $'000**
Trade payables	19,887	23,433
Other payables	6,891	6,617
	26,778	**30,050**

(a) Risk exposure

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

16 Current liabilities - Borrowings

	Consolidated	
	2015 $'000	**2014 $'000**
Secured		
Bank bills(a)	2,500	2,500
Bank overdrafts	-	4
Total secured current borrowings	**2,500**	**2,504**

(a) Bank bills

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

(b) Interest rate risk exposures

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

(c) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 19.

(d) Security

Details of the security relating to each of the secured liabilities and further information on the bank bills are set out in note 19.

Patties Foods Limited
Notes to the consolidated financial statements
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17 Derivative financial instruments

	Consolidated 2015 $'000	2014 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges((a)(i))	67	-
Total current derivative financial instrument assets	**67**	**-**
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	69	677
Total current derivative financial instrument liabilities	**69**	**677**
Non-current liabilities		
Interest rate swaps - cash flow hedges	984	828
Total non current derivative financial instrument liabilities	**984**	**828**
Total derivative financial instrument liabilities	**1,053**	**1,505**

Patties Foods Limited
Notes to the consolidated financial statements
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(continued)

17 Derivative financial instruments (continued)

(a) Instruments used by the Group

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

(i) *Forward foreign exchange contracts - cash flow hedges*

The Group uses raw materials purchased from the United States, Europe, China and South America. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars, NZ dollars and Euros.
These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for shipments of raw materials are scheduled to be made.
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.
There was no hedge ineffectiveness in the current or prior year.

(ii) *Interest rate swap contracts - cash flow hedges*

Bank loans of the Group currently bear a variable interest rate. It is policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.
Swaps currently in place cover approximately 47% (2014 - 55%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due.
The contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.
The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. In the year ended 30 June 2015 a loss of $450,306 was reclassified into profit and loss (2014 - loss of $520,879) and included in finance cost. There was no hedge ineffectiveness in the current year.

(b) Risk exposures and fair value measurements

Information about the group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

Patties Foods Limited
Notes to the consolidated financial statements
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18 Current liabilities - Provisions

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Employee benefits (a)	4,872	4,413

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

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. Based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated	
	2015	**2014**
	$'000	**$'000**
Leave obligations expected to be settled after 12 months	233	294

Patties Foods Limited
Notes to the consolidated financial statements
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19 Non-current liabilities - Borrowings

	Consolidated 2015 $'000	2014 $'000
Bank bills	72,350	61,250
Total secured non-current borrowings	**72,350**	**61,250**

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current (note 16) and non-current) are as follows:

Bank bills	74,850	63,750
Bank overdrafts	-	4
Total secured liabilities	**74,850**	**63,754**

The bank bills and overdraft are secured by first ranking fixed and floating charges over all the assets and undertakings of the Group and first ranking registered mortgages over the Group's freehold land and buildings. The Group is subject to certain covenants within the bank facility.

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

	Consolidated 2015 $'000	2014 $'000
Current		
Floating charge		
Cash and cash equivalents	664	84
Receivables	52,391	46,818
Inventories	49,910	44,976
Total current assets pledged as security	**102,965**	**91,878**
Non-current		
First mortgage		
Freehold land and buildings	24,939	22,278
Floating charge		
Other financial assets	12,064	10,833
Plant and equipment	45,431	42,647
Total non-current assets pledged as security	**82,434**	**75,758**
Total assets pledged as security	**185,399**	**167,636**

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

19 Non-current liabilities - Borrowings (continued)

(b) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	At 30 June 2015		At 30 June 2014	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank bills	74,850	74,850	63,750	63,750
	74,850	**74,850**	**63,750**	**63,750**

The fair value of borrowings equals their carrying amounts, as they are at variable interest rates.

(c) Risk exposures

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

20 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Brand names	6,500	6,314
Intangible assets	241	325
Depreciation	1,378	1,322
Other	27	-
Receivable	1,424	-
Total deferred tax liabilities	9,570	7,961
Set-off of deferred tax assets pursuant to set-off provisions (note 13)	(3,483)	(2,338)
Net deferred tax liabilities	**6,087**	**5,623**
Movements:		
Opening balance 1 July	7,961	7,987
Charged/(Credited) to the income statement	1,609	(26)
Closing balance at 30 June	**9,570**	**7,961**
Deferred tax liabilities expected to be settled within 12 months	1,424	-
Deferred tax liabilities expected to be settled after more than 12 months	8,146	7,961
	9,570	**7,961**

21 Contributed equity

(a) Share capital

	30 June 2015 Shares	30 June 2014 Shares	30 June 2015 $'000	30 June 2014 $'000
Ordinary shares - fully paid	139,234,153	139,144,338	68,797	68,682

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

21 Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	$'000
1 July 2013	Opening balance	139,065,639	68,571
	Employee share scheme issues	78,699	111
30 June 2014	**Balance**	**139,144,338**	**68,682**
	Opening balance	139,144,338	68,682
	Employee share scheme issues	89,815	115
30 June 2015	**Balance**	**139,234,153**	**68,797**

(c) Ordinary shares

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

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 33.

(e) Options and performance rights

Information relating to the Long-Term Incentive Plan, including details of options & performance rights issued, exercised, lapsed and forfeited during the financial year and options & performance rights outstanding at the end of the financial year, is set out in note 33.

(f) Capital risk management

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

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

Consistently with others in the industry, the Group monitors capital on the basis of maintaining its capital adequacy ratio above 45%. This ratio is calculated as total net worth divided by total assets. Total net worth is defined as net assets. This capital requirement is imposed on the Group by its banking covenants.
The capital adequacy ratio for 2015 was 54% (2014: 56%).

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Notes to the consolidated financial statements
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22 Reserves and retained earnings

(a) Reserves

	Consolidated 2015 $'000	Consolidated 2014 $'000
Hedging reserve - cash flow hedges	(690)	(1,054)
Share-based payments reserve	107	160
	(583)	(894)

	2015	2014
Movements:		
Hedging reserve - cash flow hedges		
Opening balance 1 July	(1,054)	(113)
Revaluation	519	(1,344)
Deferred tax	(155)	403
Balance 30 June	**(690)**	**(1,054)**
Movements:		
Share-based payments reserve		
Balance 1 July	160	119
Option expense / (gain)	(53)	41
Balance 30 June	**107**	**160**

(b) Retained earnings

Movements in retained earnings were as follows:

		2015	2014
Balance 1 July		69,356	62,550
Net profit for the year		2,055	16,683
Items of other comprehensive income recognised directly in retained earnings			
Acquisition of associate		(239)	-
Dividends	23	(5,424)	(9,877)
Balance 30 June		**65,748**	**69,356**

(c) Nature and purpose of reserves

(i) *Hedging reserve - cash flow hedges*

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

(ii) *Share-based payments reserve*

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- accrued expense for shares issued but not granted in the prior year

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23 Dividends

(a) Ordinary shares

	Consolidated	
	2015 $'000	**2014 $'000**
Final ordinary dividend for the year ended 30 June 2014 of 3.9 cents (2013 - 3.9 cents) per fully paid share paid on 8 October 2014		
Fully franked based on tax paid @ 30% - 3.9 cents (2013 - 3.9 cents) per share	5,427	5,424
Interim ordinary dividend for the year ended 30 June 2015 of nil cents (2014 - 3.2 cents) per fully paid share.		
Fully franked based on tax paid @ 30% - nil cents (2014 - 3.2 cents) per share	-	4,453
Total dividends provided for or paid	**5,427**	**9,877**
Dividends paid in cash during the years ended 30 June 2015 and 2014 were as follows:		
Paid in cash	5,427	9,877

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

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 5.0 cents per fully paid ordinary share (2014 - 3.9 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 8 October 2015 out of retained earnings at 30 June 2015, but not recognised as a liability at year end, is	6,497	5,427

(c) Franked dividends

The franked portion of the final dividends recommended after 30 June 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2015.

	Consolidated	
	2015 $'000	**2014 $'000**
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2014 - 30%)	23,006	21,329

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

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

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $3,043,261 (2014: $2,325,698).

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24 Key management personnel disclosures

(a) Directors

The following persons were directors of Patties Foods Limited during the financial year:

(i) *Chairman - non-executive*
- Mark G Smith

(ii) *Executive directors*
- Steven C Chaur, Managing Director & Chief Executive Officer

(iii) *Non-executive directors*
- Gregory J Dhnaram;
- J Curt Leonard, (Deputy Chairman);
- Harry J Rijs;
- Richard C Rijs; and
- John P Schmoll

(b) Other key management personnel

The following also had authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, during the financial year:

Michael Knaap (resigned 31 July 2015)	Chief Financial Officer
Denis Gerrard (commenced 11 August 2014)	General Manager, Operations
Stuart Smyth (commenced 08 December 2014)	General Manager, Innovation & Marketing
Jeff Pentney	General Manager, People & Organisation
Bethaney George (commenced 10 December 2014)	General Manager, In Home
Greg Wharton (became a KMP and was promoted to the Role of General Manager Out of Home on 17 November 2014)	General Manager, Out of Home
Steve Beauchier (became a KMP and was promoted to the role of Group Manager Procurement on 24 September 2014)	Group Procurement Manager
Tim Peters (ceased on 14 November 2014)	Head of Sales
Brenda Mitchell (ceased on 12 September 2014)	General Manager Marketing
Mark Kluver (ceased on 12 September 2014)	General Manager Logistics & Customer Service

(c) Key management personnel compensation

	Consolidated	
	2015	**2014**
	$	**$**
Short-term employee benefits	2,490,488	2,127,003
Post-employment benefits	341,447	268,114
Long-term benefits	35,224	22,661
Termination benefits	522,663	338,909
Share-based payments	(73,843)	41,582
	3,315,979	**2,798,269**

Patties Foods Limited
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24 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Options & performance rights provided as remuneration and shares issued on exercise of such options & performance rights

Details of options and performance rights provided as remuneration and shares issued on the exercise of such options and performance rights, together with terms and conditions of the options and performance rights, can be found in the remuneration report on pages 11 - 29.

(ii) Option and performance rights holdings

The numbers of options and performance rights over ordinary shares in the Company held during the financial year by each director of Patties Foods Limited and other key management personnel of the Company, including their personally related parties, are set out below.

2015 Name	Balance at start of the year	Granted as compen-sation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Directors of Patties Foods Limited							
Steven Chaur	-	200,000	-	-	200,000	-	200,000
Other key management personnel of the Group							
Michael Knaap	213,520	100,000	-	(313,520)	-	-	-
Denis Gerrard (1)	-	100,000	-	-	100,000	-	100,000
Jeff Pentney	106,760	75,000	-	(61,760)	120,000	-	120,000
Tim Peters (2)	213,520	100,000	-	(313,520)	-	-	-
Mark Kluver (3)	106,760	-	-	(89,254)	17,506	-	17,506

(1) Mr Gerrard commenced 11 August 2014
(2) Mr Peters ceased on 14 November 2014
(3) Mr Kluver ceased on 12 September 2014

2014 Name	Balance at start of the year	Granted as compen-sation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Directors of Patties Foods Limited							
Gregory J Bourke (resigned 13 September 2013)	308,800	180,000	-	(488,800)	-	-	-
Other key management personnel of the Group							
Michael Knaap	154,400	90,000	-	(30,880)	213,520	-	213,520
Grant Leyden	154,400	90,000	-	(244,400)	-	-	-
Jeff Pentney	77,200	45,000	-	(15,440)	106,760	-	106,760
Tim Peters	154,400	90,000	-	(30,880)	213,520	-	213,520
Mark Kluver	77,200	45,000	-	(15,440)	106,760	-	106,760

Patties Foods Limited
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25 Remuneration of auditor

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

(a) Audit services

(i) PricewaterhouseCoopers Australian firm

	Consolidated	
	2015	**2014**
	$	**$**
Audit and review of financial reports and other audit work under the Corporations Act 2001	207,750	198,500
Other audit related services	70,000	19,500
Total remuneration for audit and other services	**277,750**	**218,000**

26 Contingencies

In the normal course of its business, Patties Foods may be exposed to claims, legal proceedings and arbitrations that may in some cases result in costs to the Group.

Following notification from the Victorian Department of Health and Human Services on 13 February 2015 of a potential Hepatitis A contamination of Nanna's brand Mixed Berries 1kg packs, on 14 February 2015 Patties Foods initiated the first of three voluntary recalls of the Company's frozen berry products.

For the financial year ended 30 June 2015, Patties Foods has provided for obligations associated with the frozen berry product recall that will result in a probable outflow of resources and are reliably measurable.

There is uncertainty regarding future impacts that may be experienced as a consequence of the recalls. Therefore, no contingent liability can be reliably quantified or predicted with certainty relating to potential customer or supplier claims. Any such contingency is not expected to be material.

Patties Foods Limited
Notes to the consolidated financial statements
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27 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting period but not recognised as liabilities is as follows:

	Consolidated	
	2015 $'000	**2014 $'000**
Property, plant and equipment		
Payable:		
Within one year	2,171	5,844

(b) Lease commitments: Group as lessee

	Consolidated	
	2015 $'000	**2014 $'000**
Representing:		
Non-cancellable operating leases	1,542	2,688

(i) Non-cancellable operating leases

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

	Consolidated	
	2015 $'000	**2014 $'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	765	1,196
Later than one year but not later than five years	777	1,492
	1,542	**2,688**

Patties Foods Limited
Notes to the consolidated financial statements
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(continued)

28 Related party transactions

(a) Parent entities

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

(b) Associates

Details of associates are set out in note 30.

(c) Subsidiaries

Interests in subsidiaries are set out in note 29.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated 2015 $	2014 $
Sales of goods and services		
Sale of raw materials & finished goods to Davies Bakery Pty Ltd	270,645	594,086
Rent from Davies Bakery Pty Ltd	21,074	20,500
	291,719	**614,586**
Purchases of goods and services with associates		
Finished goods from Davies Bakery Pty Ltd (associated company)	18,703,506	17,603,086
Air flight services from Piper Partners Pty Ltd (associated company)	60,489	106,280
	18,763,995	**17,709,366**
Sponsorship		
Regional Business and Tourism Associations (common director)	60,757	62,940
Membership Fees		
Australian Food and Grocery Council (common director)	24,847	24,847
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	3,026,564	3,092,476

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

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

	Consolidated 2015 $	2014 $
Current receivables (sales of goods and services)		
Davies Bakery Pty Ltd	578	61,056
Current payables (purchases of goods)		
Davies Bakery Pty Ltd	3,073,113	2,079,953

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

Patties Foods Limited
Notes to the consolidated financial statements
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28 Related party transactions (continued)

(f) Loans to/from related parties

There are no loans to directors or executives at 30 June 2015 other than loans to executives of up to $1,000 under standard terms of the Group's exempt employee share plan.

29 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2015 %	Equity holding 2014 %
Chef's Pride Pty Ltd	Australia	Ordinary	100	100
Creative Gourmet Pty Ltd	Australia	Ordinary	100	100
Piper Partners Pty Ltd	Australia	Ordinary	100	50

30 Investments in associates

(a) Movements in carrying amounts

	Consolidated 2015 $'000	Consolidated 2014 $'000
Carrying amount at the beginning of the financial year	10,833	9,887
Share of profits after income tax	1,904	1,945
Ceasing to be an associate	(173)	-
Dividends received/receivable	(500)	(1,000)
Carrying amount at the end of the financial year	12,064	10,833

(b) Summarised financial information of associates

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

	Ownership Interest %	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit/(loss) $'000
2015					
Davies Bakery Pty Ltd	50	17,022	5,311	27,975	1,904
2014					
Piper Partner Pty Ltd	50	145	224	82	(22)
Davies Bakery Pty Ltd	50	16,945	6,673	25,018	1,967
		17,090	6,897	25,100	1,945

All of the above associates are incorporated in Australia.

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

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

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

Cash and cash equivalents as shown in the balance sheet is reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash and cash equivalents	664	88
Bank overdrafts	-	(4)
Balances per statement of cash flows	664	84

(b) Reconciliation of net cash inflow (outflow) from operating activities to profit (loss)

	Consolidated 2015 $'000	Consolidated 2014 $'000
Profit for the year	2,055	16,683
Depreciation and amortisation	8,417	7,910
Impairment	10,300	-
Fair value adjustment to derivatives	364	(941)
Share of (profits)/losses of associates and joint venture partnership	(1,731)	(1,945)
Net (profit) / loss on sale of property, plant and equipment	255	-
Transfer of interest income to Investing cash flows	(15)	(17)
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors	(6,657)	7,669
(Increase) decrease in inventories	(4,934)	(4,051)
(Increase) decrease in other operating assets	1,084	(526)
(Decrease) increase in trade creditors	(3,272)	(2,354)
(Decrease) increase in provision for income taxes payable	(891)	(70)
(Decrease) increase in deferred tax liabilities	464	(408)
(Decrease) increase in other provisions	347	(131)
Increase (decrease) in derivative financial instruments	(519)	1,343
Net cash inflow (outflow) from operating activities	**5,267**	**23,162**

32 Earnings per share

(a) Basic earnings per share

	Consolidated 2015 Cents	Consolidated 2014 Cents
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the company	1.5	12.0

(b) Diluted earnings per share

Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	1.5	12.0

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Notes to the consolidated financial statements
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32 Earnings per share (continued)

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

	Consolidated	
	2015 $'000	**2014 $'000**
Basic earnings per share		
Profit from continuing operations	2,055	16,683

(d) Weighted average number of shares used as denominator

	Consolidated	
	2015 Number	**2014 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	139,234,153	139,144,338
Options and performance rights	180,334	139,850
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	139,414,487	139,284,188

(e) Information on the classification of securities

(i) Options and performance rights
Options and performance rights granted to employees under the 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 and performance rights have not been included in the determination of basic earnings per share. Details relating to the options and performance rights are set out in note 33.

33 Share-based payments

(a) Long-Term Incentive Plan

The Long-Term Incentive Plan is designed to provide long term incentives for senior managers to deliver long-term shareholder returns. Under the Plan, participants have been granted options or performance rights which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.
The amount of performance rights that will vest depends on the achievement of specified compound annual earnings per share (EPS) growth and the total shareholder returns of the Company against selected companies within the Consumer Staples (GICS) sector. The performance rights will vest on the anniversary dates of the 2 tranches.
Performance rights granted under the plan carry no dividend or voting rights.
Each performance right is convertible into one ordinary share.
There is nil exercise price on performance rights.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

33 Share-based payments (continued)

(a) Long-Term Incentive Plan (continued)
Set out below are summaries of options and performance rights granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
Consolidated - 2015							
3 September 2012	3 September 2016	-	370,560	-	-	(370,560)	-
19 August 2013	3 September 2016	-	270,000	-	-	(207,494)	62,506
18 September 2014	18 September 2017	-	-	375,000	-	(200,000)	175,000
18 November 2014	18 September 2017	-	-	200,000	-	-	200,000
Total			**640,560**	**575,000**	**-**	**(778,054)**	**437,506**
Weighted average exercise price			$2.00	-	-	$2.00	-

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number
Consolidated - 2014							
3 September 2012	3 September 2015	-	123,520	-	-	(123,520)	-
3 September 2012	3 September 2016	-	494,080	-	-	(123,520)	370,560
22 November 2012	22 November 2015	-	61,760	-	-	(61,760)	-
22 November 2012	22 November 2016	-	247,040	-	-	(247,040)	-
19 August 2013	3 September 2016	-	-	540,000	-	(270,000)	270,000
Total			**926,400**	**540,000**	**-**	**(825,840)**	**640,560**
Weighted average exercise price			$2.00	-	-	$2.00	-

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 1.89 years (2014 - 1.60 years).

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

33 Share-based payments (continued)

(a) Long-Term Incentive Plan (continued)
Fair value of performance rights granted
The assessed fair value at grant date of performance rights granted during the year ended 30 June 2015 was between $1.03 and $1.06. (2014 - between $0.49 and $1.36). The fair value at grant date is independently determined using a binomial option pricing model and / or Monte Carlo simulation that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for performance rights granted during the year ended 30 June 2015 included:

a) performance rights are granted for no consideration and vest based on achievement of specified compound annual EPS growth. Performance rights vest on the second anniversary of the grant date in the case of Tranche One options and the third anniversary in the case of Tranche Two.

(b) exercise price: N/A (2014 - N/A)

(c) vesting date: 30 June 2017 (2014 - Tranche 1 - 19 August 2016; Tranche 2 - 19 August 2016)

(d) grant date: 30 September 2014 and 18 November 2014 (2014 - 19 August 2013 and 3 September 2013)

(e) expiry date: N/A (2014 - N/A)

(f) share price at grant date: 30 September 2014 - $1.26 and 18 November 2014 - $1.285 (2014 - 19 August 2013 - $1.38 and 3 September 2013 - $1.29)

(g) expected price volatility of the Group's shares: 30% (2014 - 25%)

(h) expected dividend yield: 5.9% (2014 - 5.4%)

(i) risk free interest rate: 2.50% (2014 - 2.88%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

33 Share-based payments (continued)

(b) Employee share scheme

An Exempt Employee Plan Offer under which shares may be issued by the Group to employees for no up front cash consideration was established as part of the Initial Public Offer. There have been six rounds of the Exempt Employee Plan Offer. The first round was conducted in November 2006 through to the eighth in October 2014.

An eighth round of the Exempt Employee Plan Offer is likely to be conducted in October 2015. Eligible employees will be granted Offer Shares (being approximately $1,000 worth of fully paid Offer Shares at the market weighted offer price) in Patties Foods Limited. Successful Plan applicants would have their pre tax salary or wages reduced by approximately $1,000 in equal installments, over a 12 month period.

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

Eligible employees are all full time and part time employees as at the date the offer is made and are still employed at the date the shares are allocated. Casual employees are not eligible to participate.

The price of the shares is determined by the trading price of Patties Foods Limited shares on the Australian Securities Exchange for the five trading days immediately following the end of the offer period.

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

(c) Expenses arising from share-based payment transactions

A net credit arising from share-based payment transactions recognised during the period as part of employee benefit expense was -$74,000 in 2015 (2014: -$41,000) for the consolidated entity.

All other terms and conditions are consistent with the original announcement of the grant made on 22 November 2014.

Patties Foods Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

34 Parent entity financial information

(a) Summary financial information

	Parent Entity	
	2015 $'000	**2014 $'000**
Balance sheet		
Current assets	122,075	109,723
Non-current assets	158,495	156,522
Total assets	280,570	266,245
Current liabilities	64,894	67,346
Non-current liabilities	81,726	70,880
Total liabilities	146,621	138,226
Net assets	**133,949**	**128,019**
Shareholders' equity		
Contributed equity	68,797	68,682
Reserves	(583)	(894)
Retained earnings	65,735	60,231
	133,949	128,019
Profit or loss for the year	**10,931**	**15,685**
Cash flow hedges	519	(1,343)
Income tax relating to components of other comprehensive income	(156)	403
Other comprehensive income for the year, net of tax	**363**	**(940)**
Total comprehensive income	**11,294**	**14,745**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2015, the parent entity had contractual commitments for the acquisition of property, plant or equipment totaling $2,171,000 (2014 $5,844,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

Patties Foods Limited
Directors' declaration
30 June 2015

In the directors' opinion:

(a) the financial statements and notes set out on pages 44 to 95 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 30 June 2015 and of its performance for the 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*.

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

Mark G Smith
Chairman

Melbourne
24 August 2015

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

Report on the financial report

We have audited the accompanying financial report of Patties Foods Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other 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 at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Patties Foods Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 11 to 29 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Patties Foods Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
24 August 2015

Patties Foods Limited
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 31 August 2015.

A. Distribution of equity securities

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

Range	Total Holders	Units	% of Issued Capital
1 - 1000	1,430	917,816	.66%
1,001 - 5,000	2,430	6,441,491	4.63%
5,001 - 10,000	716	5,595,093	4.02%
10,001 - 100,000	582	14,523,128	10.43%
100,001 - 9,999,999	61	111,756,625	80.27%
	5,219	**139,234,153**	**100.01%**

B. Equity security holders

Twenty largest quoted equity security holders

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

	Units	% of Units
National Nominees Limited	37,839,370	27.18
JP Morgan Nominees Australia Ltd	10,715,348	7.70
N&F Rijs Pty Ltd (The N & F Rijs Family A/C)	8,497,868	6.10
Hank Pty Ltd (Ankh Family A/C)	8,384,780	6.02
Ludamon Pty Ltd (Marich Family A/C)	7,493,500	5.38
HSBC Custody Nominees (Australia) Limited	5,188,258	3.73
The Myer Family Investments Pty Ltd	5,000,000	3.59
Allen Group Holdings Pty Ltd	4,654,184	3.34
Citicorp Nominees Pty Limited	3,672,188	2.64
Barr Family Pty Ltd <Barr Family Foundation A/C>	3,408,117	2.45
Mondalu Pty Ltd (RC & MW Rijs Superannuation)	1,506,502	1.08
Mrs. Julie Ann Dennison	1,407,163	1.01
EMK Investments Pty Ltd	1,214,955	0.87
Mr. Michael Thomas Bartholomew	1,182,323	0.85
Sims Ridge Super Co Pty Ltd (HJ & KJ Rijs Super Fund A/C)	1,115,220	0.80
John Ernest Gleave	841,081	0.60
Bairnsdale Custodians Pty Ltd	600,773	0.43
Mr. Thomas Frank Curnow & Mrs. Susan Elizabeth Curnow (Curnow Super Fund A/C)	600,000	0.43
Joe Rettino	534,020	0.38
Ellise Investments Pty Ltd	500,000	0.36
Totals: top 20 holders of issued capital	**104,355,650**	**74.94**
Total remaining holders balance	**34,878,503**	**25.07**

Patties Foods Limited
Shareholder information
30 June 2015
(continued)

C. Substantial holders

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

	Number held	Percentage
Ordinary shares		
The Myer Family Company Pty Ltd	13,907,957	9.99%
Adrian & Louise Rijs	11,951,051	8.58%
N & F Rijs	10,715,348	7.70%
Frank & Wilhelmina Rijs	9,834,693	7.06%
Harry Rijs	9,500,000	6.82%
Richard C Rijs	9,000,002	6.46%

D. Voting rights

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

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

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Patties Foods Ltd
ABN 62 007 157 182

QUESTIONS FROM SHAREHOLDERS

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

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

Shareholder's name:

Address:

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

A. Questions for Auditor

B. Other Questions

This form should be received by the Company's Share Registrar, Computershare Investor Services Pty Ltd, in the reply envelope provided or faxed to +61 3 9473 2555 by 11th November 2014, 5.00pm to assist in a considered response at the Annual General Meeting.

You may email your question to patties@computershare.com.au