ANNUAL REPORT

# LONGTABLE GROUP

19

## Corporate Directory

**Directors**

Tony Robinson (Non-executive Chairman)
Tom Kiing (Non-executive Director)
Hugh Robertson (Non-executive Director)
Maggie Beer (Non-executive Director)
Laura McBain (Managing Director)

**Company Secretary**

Clinton Orr

**Chief Financial Officer**

Michael Caragounis

**Registered Office**

Level 30, 55 Collins Street
Melbourne VIC 3000
Tel: +61 3 9692 7222
Fax: +61 3 9077 9233

**Principal place of business**

Level 30, 55 Collins Street
Melbourne VIC 3000
Tel: +61 3 9692 7222
Fax: +61 3 9077 9233

**Share Register**

Boardroom Pty Limited
Level 12, 225 George Street, Sydney NSW 2000
GPO Box 3993, Sydney NSW 2001
Tel: 1800 000 639
Fax: (02) 9279 0664

**Auditor**

PricewaterhouseCoopers
Level 19/2 Riverside Quay
Southbank, VIC 3006

**Stock exchange listing**

Longtable Group Limited shares are listed on the Australian Securities Exchange (ASX code: LON)

**Website www.longtablegroup.com**

**Corporate Governance Statement**

The Company's Corporate Governance charters are located on the Company's website at the following link: https://www.longtablegroup.com/investors/corporate-governance/

# SHARE OUR PASSION FOR INVESTING IN THE FUTURE OF FOOD & CULTURE.

**Longtable Group has curated a house of premium brands in lifestyle food and beverages with a focus on consumer demand for high quality, nutritious, premium food and beverages.**

Setting our sights on the premium food and beverage industry in 2016, we have been motivated by the aim of meeting the high expectations of consumers. We noticed that the way we eat food was changing rapidly.

People were starting to care more about high-quality food products, especially concerned with convenient healthy choices, and a connection with the way their food was made. We have ideally positioned ourselves to serve this growing market with the ownership of Paris Creek Farms and St David Dairy, as well as the 100% acquisition of premium food label Maggie Beer Products, an iconic Australian brand which has delighted Australians for over 40 years.

# OUR BRANDS

**Maggie Beer Products** bases its reputation on Maggie's own philosophy of using superior ingredients, in season, to produce the best niche market gourmet products for the national and international markets.

MAGGIE BEER

**Paris Creek Farms** is a leading Australian bio-dynamic organic dairy processing and manufacturing company with over 30 years of creating a wide range of natural dairy products in the most sustainable way.

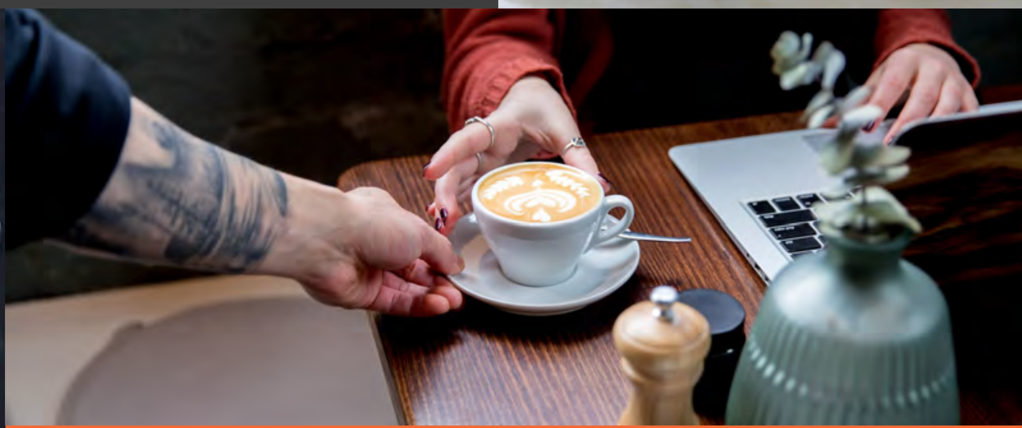
Paris Creek Farms
ORGANIC DAIRY

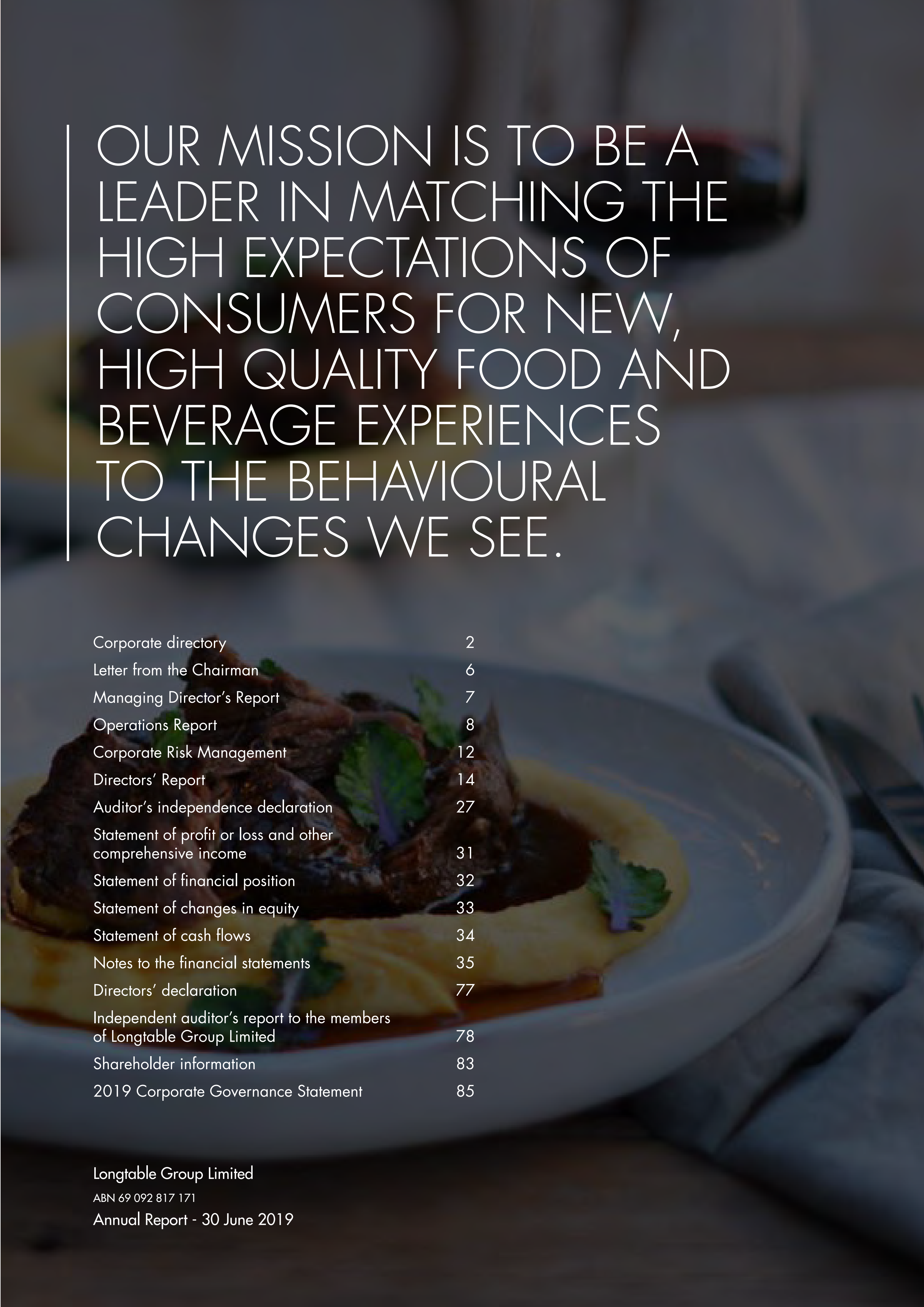
**Saint David Dairy** is inner-Melbourne's only super premium micro-dairy. Its growing appeal comes from its community roots – it's based in Fitzroy – and its milk is local.

At a time when provenance and 'food miles' count, it's little wonder that word has spread among those who want something wholesome and as natural as possible.

SD
SAINT DAVID DAIRY
Fitzroy

“Our strategic direction informs our structure, where individual premium products or brands can focus on what they each do best without limiting the broader group’s business trajectory.”





# OUR MISSION IS TO BE A LEADER IN MATCHING THE HIGH EXPECTATIONS OF CONSUMERS FOR NEW, HIGH QUALITY FOOD AND BEVERAGE EXPERIENCES TO THE BEHAVIOURAL CHANGES WE SEE.



Longtable Group Limited

ABN 69 092 817 171

Annual Report - 30 June 2019

# LETTER FROM THE CHAIRMAN

> "Share our passion for investing in the future of food & culture."

Dear Shareholders,

The 2019 financial year proved to be a year with some great successes but also some significant disappointments.

The successes have been the acquisitions of St David Dairy and the remaining 52% of shares in Maggie Beer Products, with both these businesses becoming 100% owned subsidiaries of Longtable Group. Both St David Dairy and Maggie Beer Products are performing well and are generating sound financial outcomes.

The key disappointment is with the results at Paris Creek Farms. Post acquisition, we made changes to the business that were intended to accelerate growth. Regrettably these initiatives did not achieve that goal and instead, caused us to both lose some focus on our core South Australian market and on running the factory effectively and efficiently. The outcome has been that the business's financial performance deteriorated.

It is pleasing to be able to say momentum is building in that business as we rebuild the skill and understanding of the manufacturing plant and the relationships with our partners and customers.

Given the success achieved in making a similar turn around at Maggie Beer Products we are confident of achieving a similar outcome at Paris Creek Farms and we continue to believe that the business has outstanding products and partners and that the outlook for the business remains strong.

It is important to also note that at the same time, we are continuing to grow our other two businesses and maximise the outcome available to those businesses. Both continue to identify significant opportunities to further the brands and revenue.

In May 2019, the Company announced that I intend to step down as Chairman of the Board upon completion of the necessary process to identify and integrate a new Chairman. An extensive search process has been undertaken and we are now at the final stages of that process. We will continue to keep shareholders informed of progress.

The other significant Board change this year was the inclusion of Maggie Beer to the Board. Maggie has made a significant contribution to the Board already and we are appreciative of the vote of confidence that Maggie showed in Longtable by agreeing to be part of the business post moving to 100% ownership of Maggie Beer Products.

The Longtable Group of businesses has sound business fundamentals and the Board and Management team remain very focussed on our business strategy of supporting and growing our portfolio of brands, through innovative new products, marketing campaigns, improved manufacturing efficiencies and channel development. We believe the company has a bright future.

On behalf of the Board, I would like to thank all stakeholders including customers and suppliers and in particular, our shareholders for their support.

I very much look forward to welcoming you at the Annual General Meeting in November.

**Tony Robinson**
**Chairman**

# MANAGING DIRECTOR'S REPORT

Over the last two years, Longtable Group has transformed from a single investment in Maggie Beer Products to a house of premium food and dairy brands, offering contemporary, authentic choices to discerning consumers.

Over the 12 months ended 30 June 2019 (FY19), the Group has successfully completed two acquisitions – St David Dairy and Maggie Beer Products, building on its ownership of Paris Creek Farms.

FY19 was a challenging year for Paris Creek Farms. Several changes to product sizing, packaging and pricing were implemented, not all of which resonated with consumers. While updated pricing has been accepted, changes to sizing of the product and its packaging needed to be revisited and we have implemented changes that have returned Paris Creek Farms to growth.

While acquiring and integrating businesses, and transforming Paris Creek Farms, we have also focused on improving our operating model, developing a deeper understanding of the core drivers of our manufacturing assets, optimising our product mix to achieve better manufacturing results, and driving cost efficiencies throughout our businesses.

We expect the full benefits of these initiatives to be realised in FY20. Coupled with growth in sales and distribution, this should underpin a return to profitable, cash flow positive results during the second half of FY20.

Whilst the Paris Creek Farms business has been slow to deliver results, we have delivered a significant turnaround in the performance of Maggie Beer Products. The joint efforts of the executive teams at Maggie Beer and Longtable have driven this result and are now focused on doing the same with Paris Creek Farms, including realising the synergy benefits from leveraging both businesses being in South Australia.

With 100% ownership of Maggie Beer Products, we are very excited about the potential to grow the size and scale of this business. We will bring closer together the impact and reach of Maggie Beer's reputation with the growth of a range of products that are closely aligned with the brand's values. As Maggie says: "it's all about the taste", and her continued involvement in Longtable as a non-executive director is a highly valuable part of the ongoing evolution of this iconic brand under our ownership.

At St David Dairy, we have continued to develop and grow the brand, its revenue through expanding its customer base and growing in Butter. Jamie Kitchen was recently appointed General Manager of St David Dairy to lead its continued growth. His deep knowledge for quality and efficiency tied with his passion for the highest standards in customer service mean we are well placed to continue to build this brand. There remains significant opportunity in the Melbourne and Victorian region which we intend to capitalise on first, although we remain excited about St David Dairy's growth opportunities in Sydney and other major cities.

From the start, we have said that we intended to build a house of premium brands, and the 87 awards and accolades received during the year are a confirmation of the quality and excellence of the food we produce.

Our beautifully presented and packaged food reflects the dedication of our team. We are very grateful for their commitment and proud of their achievements, and we take this opportunity on behalf of the Board to thank all of them for their contribution to Longtable over the past 12 months.

Australia has long regarded itself as a niche food bowl of Asia and considers this as a key driver of growth and opportunity for export. Yet, aside from a handful of specialist companies, Longtable stands alone in focusing on curating brands that stand to deliver these outcomes.

We are excited about the future of Longtable Group for our customers, staff, communities we operate in, and our shareholders, and look forward to sharing with you these future successes.

# OPERATIONS REPORT

> "The Group anticipates that FY20 will demonstrate the opportunities for long term growth of the three high quality premium food and dairy businesses it has acquired."

## Financial Performance

The Group's statutory financial results reflect a continued period of transformational change on the pathway to growth and are not representative of the underlying business earnings into future periods.

The Group achieved Revenue of $25.75 million (2018: $8.73 million), reflecting Paris Creek Farms' sales for the full financial year together with St David Dairy's and Maggie Beer Products' sales since their respective acquisition dates of 1 August 2018 and 16 April 2019.

The Group incurred a loss after tax of $24.16 million (2018 loss: $6.67 million) reflecting:

- A non-cash goodwill impairment expense of $15.19 million relating to Paris Creek Farms, reducing goodwill to $12.07 million (2018: $27.26m);
- a fair value gain of $2.0 million from the 48% equity investment of Maggie Beer Products upon acquisition;
- the continuing transition of Paris Creek Farms to a sophisticated corporate business model;
- the restructure of Paris Creek Farms to enhance efficiencies and mitigate cost increases, and
- corporate costs associated with acquisitions and building group structure.

## Revenue and Costs

The past 12 months for **Paris Creek Farms**, while challenging and its performance disappointing, have repositioned the company for profitable growth from H2 FY20.

During H1 FY19, all of the products within the portfolio were re-branded, re-packaged and re-priced setting the foundation to launch across the Eastern Seaboard (ESB). Customer feedback resulting from bottle functionality challenges with the introduction of the re-packaged milk bottles led to a swift re-introduction of the 2L and 1L milk bottles during March and April. The re-introduction was well received and despite some resulting loss of share in South Australia, early results provide confidence of not only recovering share but also growing share whilst pursuing ranging opportunities across the ESB.

Furthermore, sales performance incorporated the continued shift towards lower price point customer channels, coupled with temporary deranging of some SKUs to comply with retailer ranging review windows, re-ranged again late in Q4 FY19. This adversely impacted volume and gross margin. Product category mix shifted slightly towards milk at 63% of sales, with yogurt consistent at 18%, and a slight reduction in cheese to 8% (temporary deranging) of sales, with the balance in the other categories.

Intercompany sales of cheese to Maggie Beer Products began late in FY19, with the successful ranging of cheddar under the Maggie Beer brand. The prior period stock investment is expected to be consumed via this initiative, given the successful sell through recorded thus far.

Paris Creek Farms' valuable resource – biodynamic organic milk – continued to increase, with availability increasing by approximately 7% compared to the prior comparative period (PCP), at largely the same cost per litre, approximately 65c. Raw milk processed through the plant however was approximately 1 million litres or 10.4% less than FY18 due to the lower sales performance. There were 8 farmer suppliers in the network as at 30 June 2019. The excess raw milk of circa 3 million litres was sold to other processors at an overall discount per litre compared to the purchase cost (total cost of $0.29 million).

Costs overall at Paris Creek Farms increased by approximately 13% or $1.03 million for FY19 compared to FY18. The major contributors to the increase were:

- labour increases associated with enterprise agreement increases (+3%) in addition to unproductive labour and overtime incurred from product launches and product transitions (+11% or +$0.46 million);
- cost increases and usage charges of electricity and gas in addition to cleaning chemicals (+25% or $0.19 million);
- maintenance costs associated with machinery breakdowns and moving to a preventative maintenance regime (+43% or +$0.18 million); and
- quality assurance and laboratory testing usage increase due to product transitions and increased ESL (extended shelf life) supply (+40% or $0.12 million).

Limited spend in Advertising and Marketing initiatives in FY18 led to a prudent increased investment in FY19 of $0.41 million or circa 3% of sales, in support of the re-branding initiatives. This level of spend is expected to continue, to support brand recognition via e-commerce and other platforms, particularly with expansion across the ESB.

Given the sales performance and cost increases, management implemented two restructures (in April and June) to mitigate cost increases and re-base costs relative to the brand's short term sales trajectory. This led to one off restructure costs ($0.47 million in redundancies) as a result of a reduction in staff numbers, expected to contribute approximately $1.8 million in gross annualised savings in FY20 and beyond.

St David Dairy continued its sales growth trajectory, through further customer acquisitions (net sales +23% v FY18) albeit at a higher cost base due to cost increases – raw milk and cream due to industry wide price increases, and labour overtime via contractors catering for the growth in the near term. Since acquisition, St David Dairy has contributed operating cash of $0.9 million to the Group.

As a result of the cost increases, management successfully implemented market price increases in June to mitigate some of raw material cost increases.

Even though the cost increases resulted in a deterioration of both Gross Margin and EBITDA, there is high confidence that margins will recover in FY20 due to the price increase and closer management of costs, particularly in labour. The planned expansion of the footprint into Sydney has been put on hold until sales via the current distributor increase to a point that can justify the investment. Footprint expansion opportunities will also be considered in Melbourne during FY20 as volumes are expected to outgrow capacity.

Maggie Beer Products' trading performance for FY19 saw a strong turnaround from the prior year, returning a positive EBITDA of $1.99 million (2018 loss: $1.47 million). The result was slightly above management's guidance to the market ($1.7 million to $1.9 million) in the acquisition business case. With the acquisition effective from 16 April 2019, EBITDA of $0.20 million was recognised upon consolidation, with the balance accounted via equity accounting. From FY20, Longtable will consolidate the full results of Maggie Beer Products.

Net sales were 9% up on FY18 at $20.9 million with the successful expansion of the Cheese category into Woolworths, adding $2.4 million in new sales, albeit at a relatively lower gross margin, together with repositioning stocks, with sales up 70% or $0.9 million on FY18. This more than mitigated shortfalls in the fruit pastes and ice-cream categories.

As a result of implementing a more efficient cost structure late in FY18, overall costs were 26% or $2.83 million lower than FY18, predominantly from the reduction of staff costs (27% or $1.67 million lower) confirming the sustainability of the restructure savings. Overall operating activities contributed to $1.95 million in cash in FY19.

Group office costs for FY19, which include the costs of shared resources and services, reflect the full complement of staff and executives to drive and execute the Group's strategic initiatives versus FY18's

# OPERATIONS REPORT (Continued)

transitional period. Over the past 12 months there has been a heightened focus on all corporate expenses, with reductions in the utilisation of external advisors and other costs. Employee benefits expense increased to $2.70 million (FY18: $1.13 million). This, together with corporate overhead and administration costs of $1.78 million (FY18: $2.24 million) contributed to the overall loss of the Group.

Further to Paris Creek Farms' non-cash goodwill impairment charge of $15.19 million and Maggie Beer Products' fair value gain on acquisition of $2.00 million, costs totalling $2.54 million (FY18: $4.10 million) are considered normalisation adjustments given they are ''one-off' in nature. These included costs associated with acquisitions of $0.29 million (FY18: $1.35 million); employee share-based payment adjustment of $0.13 million (FY18: $1.97 million); and business related normalisation adjustments mainly attributed with Paris Creek Farms' new product launch transitional costs and restructure costs of $1.69 million (FY18: $0.8 million).

## Supportive Balance Sheet

The Group is supported by a solid balance sheet with net assets at 30 June 2019 of $62.96 million (30 June 2018: $63.53 million), including a cash balance of $9.82 million (2018: $14.78 million). The cash balance places the Group in a strong position to progress its strategic and operational initiatives.

Maggie Beer Products and St David Dairy are expected to again contribute positively to the Group's cash position in FY20, with Paris Creek Farms expected to start positively contributing from H2 FY20. The businesses are not expected to spend on any major capital investment except where opportunities are identified for significant new product launches aligned with brand credentials.

Inventory at 30 June 2019 was $3.63 million (8.5% of full year sales), with Maggie Beer Products holding $2.70 million of stock (6.3% of full year sales) and Paris Creek Farms' inventory balance at $0.79 million (1.8% of full year sales).

A disciplined approach to working capital and the Group's cash management will continue.

## Strategic Progress

The Group's strategic ambition is to be a leader in matching the high expectations of consumers for new, high quality food and beverage experiences to the inherent lifestyle changes for modern life.

Having acquired Paris Creek Farms, St David Dairy and Maggie Beer Products over the past two years, the Group now has a portfolio of premium food and dairy brands to achieve its ambition. Growth from these businesses is expected from organic opportunities in products, both existing and through new product development and distribution.

There are also synergistic opportunities across the Group and its portfolio of premium brands, sharing resources in new product development, distribution, sales, logistics and manufacturing that will be facilitated and enabled via a common IT platform. The Group has already commenced activating some of these opportunities and this will continue into FY20.

## Outlook

The Group anticipates that FY20 will demonstrate the opportunities for long term growth of the three high quality premium food and dairy businesses it has acquired.

For Paris Creek Farms, even though trading performance was below expectations in FY19, management remain confident that it will return to profitability, albeit taking longer than originally expected. Paris Creek Farms remains strategically sound with access to the largest pool of bio-dynamic organic milk in Australia, re-enforced by milk availability being up on last year. The opportunity remains in converting this milk to value added products and management expect a positive run rate effective from H2 FY20.

In addition, the growth runway for Paris Creek Farms is underpinned by resetting prices, new product launches and its new brand look – the core fundamentals of this process have been undertaken – and supported by further operational efficiencies at the factory site.

For St David Dairy, growth will be underpinned by further extending its footprint via a beach head into Sydney, together with expanding into South Australia.

At Maggie Beer Products, the focus remains on growing its relationships with retailers and introducing new products as it leverages the credentials of the Maggie Beer popularity and notoriety, and also seeks to leverage opportunities with Paris Creek Farms.

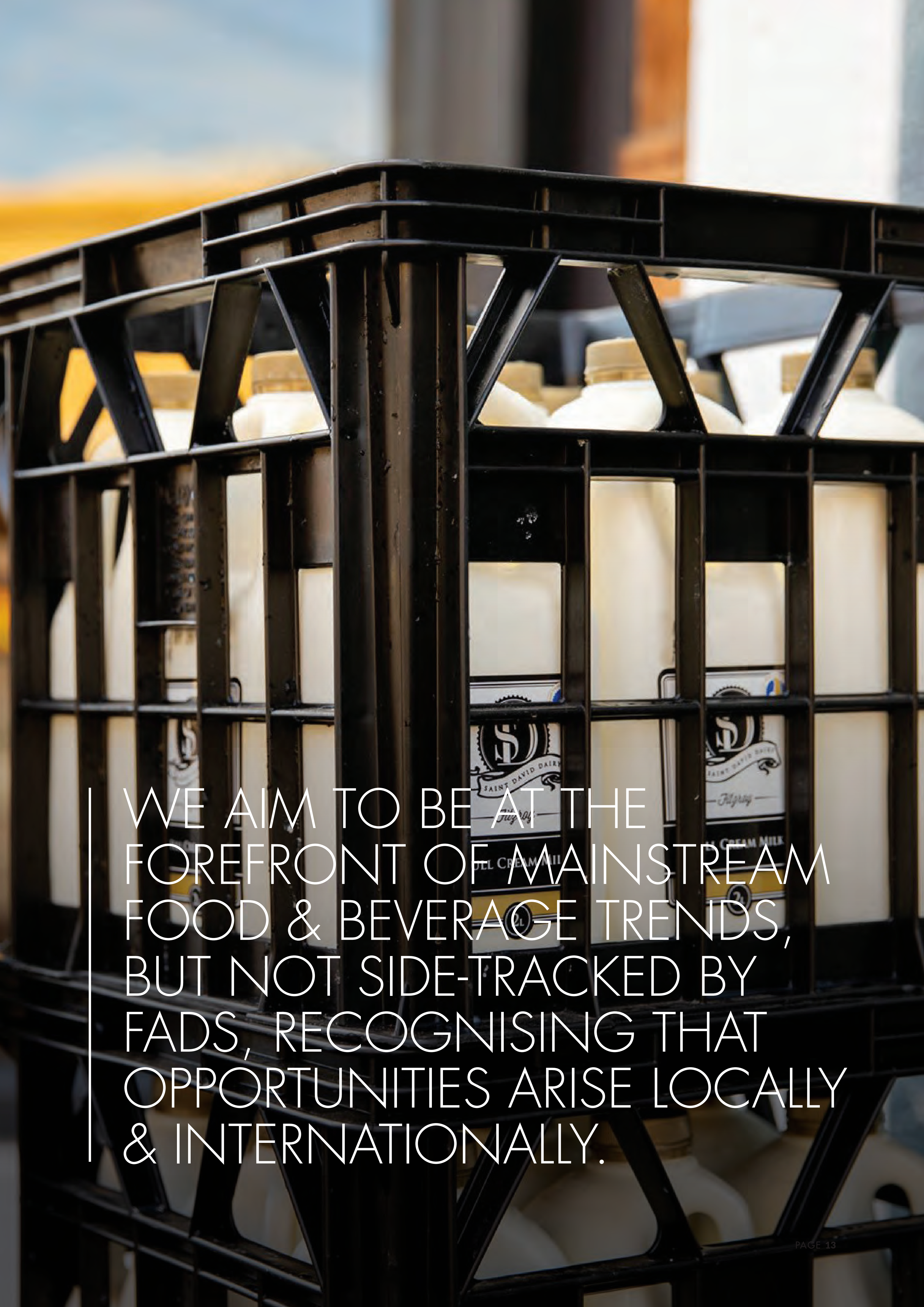
WE BELIEVE THAT THE WAY WE EAT FOOD IS EVOLVING RAPIDLY. PEOPLE ARE MORE AND MORE FOCUSED ON HEALTHY, CONVENIENT FOOD CHOICES, SUSTAINABLE FOOD PRODUCTION, AND BUILDING A CONNECTION TO THE WAY THEIR FOOD IS MADE.

# CORPORATE RISK MANAGEMENT

The Company is committed to the effective management of risk to reduce uncertainty in the Group's business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the Group's strategic objectives and future prospects.

Key risks and mitigation activities associated with the Company's objectives are set out below:

| Risk | Mitigation action |
|---|---|
| Dairy Prices | • Delivery of the Company's strategic initiatives focused on shifting to value added products to reduce any exposure to prices.<br>• Locked in prices within farmer supplier contracts. |
| Milk supply | • Contracts with all farmer suppliers to capture available supply.<br>• Provide farmer suppliers incentives to grow their milk pool.<br>• Provide incentives to attract new farmer suppliers to convert from conventional farming to biodynamic organic farming. |
| Profitable Growth | • Establishing prices to reflect the premium nature of the product range.<br>• Targeted sales channels to maximise distribution.<br>• Focused allocation of milk supply to maximise the profitability of the product portfolio.<br>• Optimisation of the existing product portfolio complemented with new product development.<br>• Target investment in delivering growth strategies into new markets. |
| People safety | • Focus on safety through active identification and management of safety hazards and operational risks.<br>• Continued capital investment to mitigate safety hazards. |
| Product quality and safety | • Continue to deliver food quality and safety disciplines with absolute commitment to meeting or exceeding all food safety requirements.<br>• Continued capital investment to support the production of quality products. |
| Environmentally sustainable business practices | • Mechanisms in place to identify, manage and monitor compliance with key environmental requirements.<br>• Focus on reducing environmental footprint through effective management of emissions.<br>• Continued investments to increase operational effectiveness and efficiency of productive assets. |
| Change in regulations | • The Group employs suitable people to monitor and manage compliance. |
| Attraction, retention of key roles | • New experienced leadership team to deliver key strategic initiatives and execution of business plans.<br>• Further investment in talent to continue to align with the Group's organic growth plans. |



WE AIM TO BE AT THE FOREFRONT OF MAINSTREAM FOOD & BEVERAGE TRENDS, BUT NOT SIDE-TRACKED BY FADS, RECOGNISING THAT OPPORTUNITIES ARISE LOCALLY & INTERNATIONALLY.

# DIRECTORS' REPORT

"We are well positioned to quickly activate opportunities, stretch existing business capabilities and bring innovation both small and large to the organisation."

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Longtable Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

## Directors

The following persons were directors of Longtable Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Tony Robinson
(Non-executive Chairman)

Tom Kiing
(Non-executive Director)

Hugh Robertson
(Non-executive Director)

Maggie Beer
(Non-executive Director)
(appointed 18 April 2019)

Laura McBain
(Managing Director)

## Principal activities

During the financial year the principal continuing activities of the consolidated entity were the expansion of its activities in the food and beverage industry with a particular focus on premium products. This included:

- managing its investment in Maggie Beer Products Pty Ltd ("MBP"), and expanding to 100% ownership;
- completing the acquisition of St David Dairy Pty Ltd ("St David Dairy"); and
- transitioning the operations of B.-d Farm Paris Creek Pty Ltd ("Paris Creek Farms") to a corporate structure.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Review of operations

The loss for the consolidated entity after providing for income tax amounted to $24.16 million (30 June 2018: $6.67 million).

### Financial Position

The net assets of the consolidated entity decreased by $0.57 million to $62.96 million (30 June 2018: $63.53 million). The decrease during the year was due to the acquisition of St David Dairy and MBP, which resulted in $23.18 million of goodwill and other intangible assets, and $23.47 million of share capital issued during the year, net of transaction costs, offset by the impairment in the investment in B.d Paris Creek Farms Pty Ltd amounting to $15.19 million.

### Operating results for the year

The consolidated entity reported a net loss after tax of $24.16 million for the financial year, which was an increase in loss of $17.49 million from the previous corresponding period (2018: loss of $6.67 million). The increase in net loss is mainly due to accounting for the Company's impairment of the investment in B.d Paris Creek Farms Pty Ltd, amounting to $15.19 million.

## Significant changes in the state of affairs

On 30 July 2018, the Company held a general meeting of shareholders to approve tranche two of the two-tranche placement being 7.1 million fully paid ordinary shares at an issue price of $0.70 (70 cents) per share, raising approximately $5 million before costs. The Company completed its placement on 1 August 2018.

On 1 August 2018 the Company completed its acquisition of St David Dairy Pty Ltd following approval of shareholders, having paid $12.25 million in cash and $2.7 million in shares issued at a fair value issue price of $0.63 (63 cents) to the vendor. The shares have been escrowed, with fifty percent of the shares escrowed for 12 months from the date of issue and the remaining fifty percent of the shares escrowed for 24 months from the date of issue. On 18 July 2019 the Company announced the release of the first fifty percent of the shares in escrow, in line with the acquisition agreement, on 1 August 2019.

On 4 March 2019 the Company announced the acquisition of the remaining 52% of Maggie Beer Products Pty Ltd ("MBP") for $10 million comprising a mix of cash, shares and convertible note, and a Capital Raising of $15.89 million comprising an institutional placement of $2.18 million and a fully underwritten rights issue of $13.71 million to fund the acquisition and provide working capital to support the growth strategy of Longtable.

On 1 April 2019 the Company advised that the fully underwritten non-renounceable entitlement offer of 1 new fully paid ordinary share for every 1.95 existing fully paid ordinary shares at $0.20 per share (Entitlement Offer) announced on the ASX on 4 March 2019 to raise up to approximately $13.71 million, closed 29 March 2019.

Applications were received under the Entitlement Offer for a total of 20,506,119 new fully paid ordinary shares (New Shares) meaning that a total of $4,101,223.80 was raised under the Entitlement Offer. The New Shares issued comprised of 19,828,392 shares applied for under shareholder entitlements and a further 677,727 shares applied for by certain shareholders as 'Additional New Shares' above the respective shareholders' entitlements.

Also on 1 April 2019, the Company gave notice of a shortfall under the Entitlement Offer of approximately 48,019,130 shares (Shortfall Shares).

The Shortfall Shares were offered to Bell Potter Securities Limited, being the underwriter to the Entitlement Offer pursuant to the terms of the underwriting agreement with the Company and were issued without disclosure under Part 6D.2 of the *Corporations Act 2001* (Cth) to certain institutional and professional investors. Issue of all new shares under the Entitlement Offer occurred on 4 April 2019.

On 16 April 2019 the Company completed its acquisition of MBP following approval of shareholders, having paid $8.5 million in cash, $1 million in shares issued at the deemed issue price of $0.20 (20 cents) and a convertible note valued at $0.5 million. The shares have been escrowed for 24 months from the date of issue.

Following the acquisition of MBP, on 18 April 2019 the Company announced the appointment of Maggie Beer to the Board of Directors as a Non-executive Director.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Likely developments and expected results of operations

The future developments of the consolidated entity includes full integration of Maggie Beer products, growth in distribution points for each food and beverage brand held by Longtable, leverage of the manufacturing synergies across the group and marketing campaigns to deliver awareness.

Information on these developments is included in the review of operations and activities on pages 8 - 10.

## Environmental regulation

The Company takes a proactive approach in relation to the management of all environmental matters. Paris Creek Farms is licenced under the *Environment Protection Act 1993* to undertake milk processing works. In accordance with customary wastewater management practices for a dairy facility, wastewater generated by the plant is treated by a DAF plant. Paris Creek Farms has completed an assessment to reduce the environmental impact of wastewater irrigation and has submitted to the Environment Protection Authority (EPA), and the EPA has approved, an Environmental Improvement Plan dated 18 April 2019 ("EIP"). The EIP contains actions to be undertaken by Paris Creek Farms to minimise the environmental impact while irrigating.

All other significant environmental risks have been reviewed and the Group has no other legal obligation to take corrective action in respect of any environmental matter.

## Information on Directors

### TONY ROBINSON

Non-executive Chairman

**Experience and expertise:**

Tony Robinson joined the Board on 26 October 2015 and has significant experience in ASX listed entities both as a Managing Director and Board member. Tony brings particular experience and expertise in capital markets and capital structures which is important for listed entities, as well as bringing extensive operating experience from across a number of industries including financial services, telecommunications and transport. Tony holds a number of other directorships, including Executive Director of PSC Insurance Group Ltd (ASX:PSI), Non-Executive Director of Bendigo and Adelaide Bank Ltd (ASX:BEN) and Non-Executive Director and Chairman of Pacific Current Group Limited ( ASX:PAC ).

**Other current directorships:**
Bendigo and Adelaide Bank Limited (ASX: BEN), Pacific Current Group Limited (ASX: PAC), PSC Insurance Group Ltd Limited (ASX: PSI)

**Former directorships (last 3 years):**

TasFoods Limited (ASX: TFL) - resigned 13 March 2018

**Special responsibilities:**

Chairman of the Board of Directors. Member of the Audit Committee and a member of the Remuneration and Nomination Committee

**Interests in shares:**

1,561,793 fully paid ordinary shares

**Interests in options:**

None

### TOM KIING

Non-executive Director

**Experience and expertise:**

Board member since July 2008, Tom is also a director of Bridge Capital Pty Ltd, an Australian technology investment firm that manages a portfolio of investments in the IT sector. Tom also sits on the Board of The Atomic Group, a retail and footwear company in Australia which holds the Adidas license in Australia. Tom has extensive experience as a technology, retail and consumer brand executive in building and growing businesses in the field. Tom travels extensively through the ASEAN region to promote a wide range of Australian investment opportunities to Asian institutions and private investors.

**Other current directorships:**

None

**Former directorships (last 3 years):**

Melbourne IT Limited (ASX: MLB) - resigned 30 September 2017

**Special responsibilities:**

Chairman of Audit Committee and a member of the Remuneration and Nomination Committee

**Interests in shares:**

8,429,010 fully paid up ordinary shares

**Interests in options:**

None

### HUGH ROBERTSON

Non-executive Director

**Experience and expertise:**

Hugh is a senior investment adviser with Bell Potter. He has worked in the stockbroking industry for 36 years with a variety of firms including Falkiners stockbroking, Investor First and Wilson HTM. Among his areas of interest is a concentration on small cap industrial stocks.

**Other current directorships:**

Centrepoint Alliance Limited (ASX: CAF) (appointed 2 May 2016)

**Former directorships (last 3 years):**

Hub 24 Limited (ASX: HUB) - resigned 29 February 2016

TasFoods Limited (ASX: TFL) - resigned 10 February 2017

AMA Limited (ASX: AMA) - resigned 3 August 2018

**Special responsibilities:**

Member of Audit Committee and chairman of Remuneration and Nomination Committee

**Interests in shares:**

2,129,586 fully paid up ordinary shares

**Interests in options:**

None

## LAURA MCBAIN

### Managing Director

**Experience and expertise:**

Laura was formerly the CEO and Managing Director of Bellamy's Australia Ltd from 2014 to 2017, prior to which she was CEO/General Manager since 2007. During these years, Laura oversaw significant change, innovation and business growth including expansion into South East Asia and China. Prior to joining Bellamy's, Laura practised as an accountant specialising in the area of providing business advisory and taxation services to SMEs in both Sydney and Tasmania. Laura holds a Bachelor of Commerce, in 2013 completed the IMD Leadership Challenge and completed the IESE, Wharton and CEIBS Global executive program in 2017. In 2013, Laura was named the Telstra Tasmanian Business Woman of the Year and went on to be named the Telstra Australian Business Woman of the Year for 2013 (Private and Corporate).

**Other current directorships:**

None

**Former directorships (last 3 years):**

Bellamy's Australia Ltd (ASX: BAL) (resigned 23 January 2017)

**Interests in shares:**

4,498,120 fully paid up ordinary shares

**Interests in options:**

7,500,000 unlisted options

**Interests in rights:**

600,000 unlisted performance rights

## MAGGIE BEER

### Non-executive Director
(appointed 18 April 2019)

**Experience and expertise:**

Maggie Beer's career in the food industry spans over 40 years, beginning as a farmer at the Pheasant Farm in 1979, whereby the fresh, seasonal ingredients produced led to a farm shop in the Barossa, and soon after a nationally acclaimed restaurant, followed by a commercial food production business, Maggie Beer Products.

Maggie was Telstra South Australian Business Woman of the Year in 1997, Senior Australian of the Year 2010 and once again in 2011, appointed as a Member of the Order of Australia in 2012 and awarded an honorary doctorate of Macquarie University in 2013, and honorary doctorate of the University of South Australia in 2016 in recognition of her achievements in tourism, hospitality and the promotion of Australian cuisine. In addition to this, Maggie established the Maggie Beer Foundation in 2014 to improve the food experiences for older Australians, particularly those living within aged care homes.

Maggie Beer joined the board of Longtable Group as part of the acquisition of Maggie Beer Products Pty Ltd by the group. Maggie continues to play a pivotal role in the growth and strategy of the Maggie Beer Products business as well remaining deeply involved in the development of new and exciting products.

**Other current directorships:**

None

**Former directorships (last 3 years):**

None

**Special responsibilities:**

None

**Interests in shares:**

4,895,332 fully paid up ordinary shares (4,650,000 of these shares are held in escrow until 15 April 2021)

**Interests in options:**

None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## Information On Directors (Continued)

### Company secretary

**Mr Clinton Orr**

Clinton holds a Bachelor of Law and Bachelor of Commerce. He is General Counsel and Company Secretary for the Company and brings to the role approximately ten years of relevant experience, having worked with ASX listed organisations as a general counsel, company secretary and in private practice.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| Tony Robinson | 14 | 14 | 4 | 4 |
| Tom Kiing | 14 | 14 | 4 | 4 |
| Hugh Robertson | 13 | 14 | 3 | 4 |
| Maggie Beer | 3 | 3 | - | - |
| Laura McBain | 14 | 14 | - | - |

Held: represents the number of meetings held during the time the director held office.

### Retirement, election and continuation in office of directors

The Board of Directors (Board) has power to appoint persons as Directors to fill any vacancies. Other than those Directors appointed during the year, one-third (or the nearest number to) are required to retire by rotation at each annual general meeting and are eligible to stand for re-election together with those Directors appointed during the year to fill any vacancy who must retire and stand for election.

## Remuneration Report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Executive Contracts
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

No external specialist remuneration advice is sought in respect of remuneration arrangements for Non-Executive Directors of the Board and Key Management Personnel of the Group during the year. General reward advice is sought on an ad hoc basis.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*
Longtable remuneration policy for non-executive directors aims to ensure that Longtable can attract and retain suitably qualified and experienced directors having regard to the size and nature of the organisation, the levels of fees paid to non-executive directors of other comparable listed companies and, the responsibilities and work requirements of the Board members. Fees are established annually for the Chairman and Non-Executive Directors. The total fees paid by the Group to members of the Board, including fees paid for their involvement on Board committees, are kept within the total approved by shareholders from time to time. ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. Shareholders approved a maximum fee pool of $400,000 per annum at the Company's annual general meeting held on 30 October 2006. There are no retirement allowance benefits to Non-Executive Directors.

Maggie Beer has committed to a two-year period as brand ambassador, continuing her association with the Maggie Beer brand, its product development program and customer relationship. Maggie Beer recieves fees of $13,092 per month for her services. Maggie Beer received $32,730 for services provided from 16 April 2019 to 30 June 2019.

Each Non-Executive Director receives a fee for being a Director of the Company but no additional fees for sitting on or chairing committees. Director Fees are inclusive of superannuation entitlements.

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment.

*Executive remuneration*
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. Short-term incentives are used to differentiate rewards based on performance on a year by year basis. The principal performance indicator of the short-term incentive plan is the Group's financial performance. The financial performance measurement selected is revenue growth. It has been selected as the most appropriate measure of trading performance, and is calculated based on a percentage above a revenue threshold level. This allows the individual to be rewarded for growth in revenue. The percentage and threshold level can differ for each individual and are reviewed every year. The revenue thresholds are determined based on the ability of the Key Management Personnel to influence the Group's earnings.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares and options are occasionally awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

*Consolidated entity performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

*Voting and comments made at the company's 2018 Annual General Meeting ('AGM')*
At the 2018 AGM, 84% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

### *Details of remuneration*

*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Longtable Group Limited:

- Tony Robinson
- Tom Kiing
- Hugh Robertson
- Maggie Beer (appointed 18 April 2019)
- Laura McBain

And the following person:

- Michael Caragounis (Chief Financial Officer)

### *Executive Contracts*

The remuneration and other terms of employment for executives are covered in formal employment contracts that have no fixed terms. Longtable may terminate an executive's employment contract immediately for cause, in which case the executive is not entitled to any payment other than the value of total fixed remuneration (and accrued entitlements) up to the termination date

| Current KMP Executive | Notice Period by Longtable / Notice Period by Executive | Payment in lieu of notice / Redundancy for fundamental change in role | Redundancy |
|---|---|---|---|
| Laura McBain | 6 months | Yes / No | N/A |
| Michael Caragounis | 4 months | Yes / Yes | Redundancy payment of 6 months' salary and will include any applicable pay in lieu of notice |

### Table A: KMP remuneration for the year ended 30 June 2019

| 2019 | Short-term benefits<br>Cash salary and fees<br>$ | Short-term benefits<br>Bonus***<br>$ | Short-term benefits<br>Non-monetary<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Long-term benefits<br>Long Service Leave<br>$ | Share-based payments<br>Equity Settled<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | | |
| Tony Robinson | 54,795 | - | - | 5,205 | - | - | 60,000 |
| Tom Kiing | 40,000 | - | - | - | - | - | 40,000 |
| Hugh Robertson | 36,530 | - | - | 3,470 | - | - | 40,000 |
| Maggie Beer | 7,610 | - | - | 723 | - | - | 8,333 |
| *Executive Directors:* | | | | | | | |
| Laura McBain* | 329,951 | - | - | 20,531 | 1,140 | 69,994 | 421,616 |
| *Other Key Management Personnel:* | | | | | | | |
| Michael Caragounis** | 334,469 | - | - | 20,531 | 920 | 10,150 | 366,070 |
| | 803,355 | - | - | 50,460 | 2,060 | 80,144 | 936,019 |

* During the year the Company issued 4,700,000 options and 600,000 performance rights to Laura McBain. In accordance with AASB 2 - Share Based Payments, a share based payment expense of $69,994 has been accounted for during the financial year.

** During the year the Company issued 600,000 options and 189,333 performance rights to Michael Caragounis. In accordance with AASB 2- Share Based Payments, a share based payment expense of $10,150 has been accounted for during the financial year.

*** At the date of signing this Annual Report, the Board has not approved any Bonus for KMP. The Board are, however, still assessing performance criteria and accordingly, may award an STI payment to KMP for FY19, which will be disclosed in the Company's remuneration report in FY20.

### Table B: KMP remuneration for the year ended 30 June 2018

| 2018 | Short-term benefits<br>Cash salary and fees<br>$ | Short-term benefits<br>Bonus<br>$ | Short-term benefits<br>Non-monetary<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Share-based payments<br>Equity Settled<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | |
| Tony Robinson* | 54,033 | - | - | 5,133 | 24,479 | 83,645 |
| Tom Kiing | 40,000 | - | - | - | - | 40,000 |
| Hugh Robertson | 36,528 | - | - | 3,470 | - | 39,998 |
| *Executive Directors:* | | | | | | |
| Laura McBain** | 296,478 | - | - | 18,378 | 1,974,186 | 2,289,042 |
| *Other Key Management Personnel:* | | | | | | |
| Michael Caragounis | 142,140 | 61,079 | - | 8,598 | - | 211,817 |
| | 569,179 | 61,079 | - | 35,579 | 1,998,665 | 2,664,502 |

* On 18 July 2016, the Company granted a total of 8.75 million loan funded shares to Tony Robinson and a share based payment amount of $24,479 was accounted for during the previous financial year.

**During the previous financial year, the Company issued shares and options to Laura McBain, in accordance with the terms of her appointment as announced on 8 August 2018. In accordance with AASB 2- Share Based Payments, a share based payment expense of $1,974,186 has been accounted for during the previous financial year as a fair value adjustment.

Refer to notice of AGM as announced 28 November 2018 for details of the performance conditions for share based payments.

**Table C: Proportion of KMP's fixed remuneration and remuneration linked to performance**

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| *Non-Executive Directors:* | | | | | | |
| Tony Robinson | 100% | 71% | - | - | - | 29% |
| Tom Kiing | 100% | 100% | - | - | - | - |
| Hugh Robertson | 100% | 100% | | - | - | - |
| Maggie Beer | 100% | - | - | - | - | - |
| *Executive Directors:* | | | | | | |
| Laura McBain | 83% | 14% | - | - | 17% | 86% |
| *Other Key Management Personnel:* | | | | | | |
| Michael Caragounis | 97% | 71% | - | 29% | 3% | - |

## Share-based compensation

**Table D: Number of options granted as remuneration to KMP during FY19**

| Options | | | | |
|---|---|---|---|---|
| Share-based payments granted as remuneration to KMP during FY19 | Grant date | Number granted | Value per Option | Number Vested |
| Laura McBain | 28/11/2018 | 940,000 | 0.03 | - |
| Laura McBain | 28/11/2018 | 3,760,000 | 0.06 | - |
| Michael Caragounis | 28/11/2018 | 120,000 | 0.03 | - |
| Michael Caragounis | 28/11/2018 | 480,000 | 0.06 | - |

**Table E: Movements during FY19 in the options over shares in the Company held directly, indirectly or beneficially, by each KMP, including their related parties**

| | Balance at start of year | Received as part of remuneration | Additions | Disposals/ Other | Total | Number Vested |
|---|---|---|---|---|---|---|
| Laura McBain | 2,800,000 | 4,700,000 | - | - | 7,500,000 | - |
| Michael Caragounis | - | 600,000 | - | - | 600,000 | - |
| | 2,800,000 | 5,300,000 | - | - | 8,100,000 | - |

**Table F: Terms and Conditions of options over ordinary shares affecting remuneration of directors and KMP**

| Grant date | Vesting/ exercisable date | Expiry date | Exercise Price | Number of options | Fair value per option at grant date |
|---|---|---|---|---|---|
| 13/10/2017 | 13/10/2017 | 13/10/2021 | $0.50 | 2,800,000 | $0.20 |
| 28/11/2018 | 30/06/2020 | 28/11/2023 | $0.75 | 1,060,000 | $0.03 |
| 28/11/2018 | 30/06/2021 | 28/11/2023 | $0.75 | 1,590,000 | $0.06 |
| 28/11/2018 | 30/06/2021 | 28/11/2023 | $0.75 | 2,650,000 | $0.06 |

### Table G: Number of performance rights affecting remuneration of directors and KMP

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

| Name | Number of rights granted during the year 2019 | Number of rights granted during the year 2018 | Number of rights vested during the year 2019 | Number of rights vested during the year 2018 |
|---|---|---|---|---|
| Laura McBain | 600,000 | - | - | - |
| Michael Caragounis | 189,333 | - | - | - |

### Table H: Movement during FY19 in the performance rights over shares in the Company held directly, indirectly or beneficially, by each KMP, including their related parties

| | Balance at start of year | Received as part of remuneration | Additions | Disposals / Other | Total | Number Vested |
|---|---|---|---|---|---|---|
| Laura McBain | - | 600,000 | - | - | 600,000 | - |
| Michael Caragounis | - | 189,333 | - | - | 189,333 | - |
| | - | 789,333 | - | - | 789,333 | - |

### Table I: Terms and Conditions of performance rights affecting remuneration of directors and KMP

| Grant date | Vesting date | Expiry date* | Exercise price | Number of performance rights | Fair value per right at grant date |
|---|---|---|---|---|---|
| 28/11/2018 | 30/06/2019 | 31/08/2019 | $0.75 | 167,333 | $0.01 |
| 28/11/2018 | 30/06/2020 | 31/08/2020 | $0.75 | 167,333 | $0.03 |
| 28/11/2018 | 30/06/2021 | 31/08/2021 | $0.75 | 167,333 | $0.06 |
| 28/11/2018 | 30/06/2021 | 31/08/2021 | $0.75 | 287,334 | $0.06 |

*Performance rights expire 60 days after notice of vesting or otherwise at date noted.

Performance rights granted carry no dividend or voting rights.

## Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

| | 2019 $'000 | 2018 $'000 | 2017 $'000 | 2016 $'000 | 2015 $'000 |
|---|---|---|---|---|---|
| Sales revenue | 25,753 | 8,733 | - | - | - |
| Net loss before tax | (24,160) | (7,694) | (10,293) | (1,827) | (6,640) |
| Loss after income tax | (24,160) | (6,670) | (10,293) | (1,827) | (6,640) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2019 | 2018 | 2017* | 2016* | 2015* |
|---|---|---|---|---|---|
| Share price at financial year end ($) | 0.210 | 0.730 | 0.016 | 0.040 | 0.020 |
| Basic earnings per share (cents per share) | (18.660) | (10.308) | (40.571) | (24.250) | (151.500) |
| Diluted earnings per share (cents per share) | (18.660) | (10.308) | (40.571) | (24.250) | (151.500) |

* The value of basic and diluted earnings per share relating to 2015-2017 have been adjusted to reflect the share consolidation of 25:1 completed in 2018. No dividend has been paid in the past 5 years.

# DIRECTORS' REPORT (Continued)

## Additional disclosures relating to key management personnel

*Shareholding*
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at start of year | Received as part of remuneration | Additions/ Other | Disposals/ Other | Balance at end of year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Tony Robinson | 830,000 | - | 731,793 | - | 1,561,793 |
| Hugh Robertson | 1,407,693 | - | 721,893 | - | 2,129,586 |
| Tom Kiing | 4,371,719 | - | 4,057,291 | - | 8,429,010 |
| Maggie Beer* | - | - | 4,895,332 | - | 4,895,332 |
| Laura McBain | 2,973,334 | - | 1,524,786 | - | 4,498,120 |
| Michael Caragounis | 20,000 | - | 180,000 | - | 200,000 |
| | 9,602,926 | - | 12,111,095 | - | 21,714,021 |

* Shares held by Maggie Beer include shares issued as a part of the purchase price for Maggie Beer Products Pty Ltd, an acquisition completed during the financial year. These shares are held in escrow until 15 April 2021.

*Other transactions with key management personnel and their related parties*
As a part of the purchase of Maggie Beer Products Pty Ltd ("MBP") 1 Convertible Note was issued to the then owner of MBP, Maggie Beer.

The fair value of the convertible note issued was $0.5 million, with terms including:

i) 12 months maturity with no coupon;

ii) Redeemable from completion date through to maturity for scrip at the holder's election;

iii) Redeemable at maturity for either cash or scrip at the holder's election;

iv) Conversion price of 20 cents if scrip is elected.

This concludes the remuneration report, which has been audited.

## Shares under option

Unissued ordinary shares of Longtable Group Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 17 December 2013 | 13 December 2019 | $1.500 | 50,321 |
| 17 December 2013 | 13 December 2019 | $1.500 | 50,321 |
| 13 October 2017 | 13 October 2021 | $0.500 | 2,800,000 |
| 28 November 2018 | 28 November 2023 | $0.750 | 1,132,000 |
| 28 November 2018 | 28 November 2023 | $0.750 | 1,698,000 |
| 28 November 2018 | 28 November 2023 | $0.750 | 2,830,000 |
| | | | 8,560,642 |

## Shares under performance rights

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

| Grant date | Expiry date* | Exercise price | Number under option |
|---|---|---|---|
| 28 November 2018 | 31 August 2019 | $0.750 | 230,000 |
| 28 November 2018 | 31 August 2020 | $0.750 | 230,000 |
| 28 November 2018 | 31 August 2021 | $0.750 | 230,000 |
| 28 November 2018 | 31 August 2021 | $0.750 | 350,000 |
| | | | 1,040,000 |

* Performance rights expire 60 days after notice of vesting or otherwise at date noted.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

## Shares issued on the exercise of options or performance rights

There were no ordinary shares of Longtable Group Limited issued on the exercise of options or performance rights during the year ended 30 June 2019 and up to the date of this report.

## Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The Company has indemnified each Director referred to in this report, the Company Secretary and previous Directors and secretaries (Officers) against all liabilities or loss (other than to the Company or a related body corporate) that may arise from their position as Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or indemnification is otherwise not permitted under the Corporations Act. The indemnity stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses, and covers a period of seven years after ceasing to be an Officer of the Company.

The Company has also indemnified the current and previous Directors of its controlled entities and certain members of the Company's senior management for all liabilities and loss (other than to the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith or indemnification is otherwise not permitted under the Corporations Act.

The Company has executed deeds of indemnity in favour of each Non-Executive Director of the Company and certain Non-Executive Directors of related bodies corporate of the Company as well as with the Company Secretary.

The Company has paid insurance premiums in respect of Directors' and Officers' liability insurance contracts, for Officers of the Company and of its controlled entities. The insurance cover is on standard industry terms and provides cover for loss and liability for wrongful acts in relation to the relevant person's role as an Officer, except that cover is not provided for loss in relation to Officers gaining any profit or advantage to which they were not legally entitled, or Officers committing any criminal, dishonest, fraudulent or malicious act or omission, or any knowing or wilful violation of any statute or regulation. Cover is also only provided for fines and penalties in limited circumstances and up to a small financial limit.

The insurance does not provide cover for the independent auditors of the Company or of a related body corporate of the Company.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

## Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

# DIRECTORS' REPORT (Continued)

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

## Officers of the company who are former partners of PricewaterhouseCoopers

There are no officers of the company who are former partners of PricewaterhouseCoopers.

## Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 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 immediately after this directors' report.

## 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, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Tony Robinson
Non-Executive Chairman
29 August 2019

# *Auditor's Independence Declaration*

As lead auditor for the audit of Longtable Group Limited for the year ended 30 June 2019, 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 Longtable Group Limited and the entities it controlled during the period.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
29 August 2019

***PricewaterhouseCoopers, ABN 52 780 433 757***
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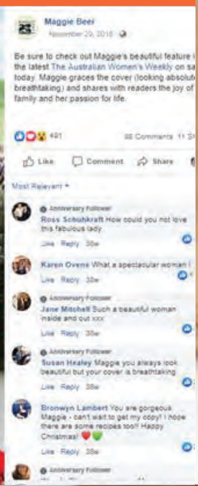
# Making Headlines




"Triple cream, double ash brie from Paris Creek Farms in SA, one of the better Australian cheeses I've eaten lately"

*John Lethlean*
*The Australian*

# OUR VISION IS TO DELIVER AN AWARD WINNING BRAND TO CUSTOMERS IN AUSTRALIA, ASIA AND FURTHER ABROAD.

GOLD

SOUTH AUSTRALIAN DAIRY AWARDS

Paris Creek Farms

Bio-dynamic Fresh Salted Butter

Bio-dynamic Full Cream Quark

Bio-dynamic Reduced Fat Milk


OVERALL CHAMPION AWARD

DIAA AUSTRALIAN DAIRY PRODUCT COMPETITION

St David Dairy Full Cream Milk

# FINANCIAL STATEMENTS

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | Consolidated 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| Revenue | 5 | 25,753 | 8,733 |
| | | | |
| **Expenses** | | | |
| Raw materials and consumables used | | (14,954) | (4,765) |
| Overheads | | (1,370) | (590) |
| Occupancy and utilities costs | | (1,516) | (490) |
| Employee benefits expense | | (10,693) | (5,152) |
| Transportation expense | | (2,350) | (704) |
| Professional fees | | (1,178) | (1,771) |
| Marketing and advertising expenses | | (824) | (138) |
| Other expenses | | (2,335) | (1,570) |
| Depreciation expense | | (1,337) | (515) |
| Amortisation expense | | (570) | - |
| Finance costs | | (74) | (138) |
| Impairment expense | 14 | (15,190) | - |
| Gain / (loss) related to investment in associates | 12 | 2,478 | (594) |
| **Loss before income tax benefit** | | (24,160) | (7,694) |
| Income tax benefit | 7 | - | 1,024 |
| **Loss after income tax benefit for the year attributable to the owners of Longtable Group Limited** | | (24,160) | (6,670) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year attributable to the owners of Longtable Group Limited** | | (24,160) | (6,670) |
| | | Cents | Cents |
| Basic earnings per share | 36 | (18.660) | (10.308) |
| Diluted earnings per share | 36 | (18.660) | (10.308) |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

# STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | NOTE | Consolidated 2019 $'000 | Consolidated 2018 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 9,819 | 14,782 |
| Trade and other receivables | 9 | 6,562 | 2,935 |
| Inventories | 10 | 3,628 | 1,341 |
| Other current assets | 11 | 406 | 317 |
| Total current assets | | 20,415 | 19,375 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 12 | - | 4,907 |
| Property, plant and equipment | 13 | 19,131 | 15,585 |
| Intangible assets | 14 | 34,739 | 27,257 |
| Other | 15 | - | 750 |
| Total non-current assets | | 53,870 | 48,499 |
| **Total assets** | | 74,285 | 67,874 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 6,848 | 3,514 |
| Other financial liabilities | 17 | 1,193 | 100 |
| Employee benefits | 18 | 1,346 | 432 |
| Total current liabilities | | 9,387 | 4,046 |
| **Non-current liabilities** | | | |
| Other financial liabilities | 19 | 1,798 | 264 |
| Employee benefits | 20 | 136 | 38 |
| Total non-current liabilities | | 1,934 | 302 |
| **Total liabilities** | | 11,321 | 4,348 |
| **Net assets** | | 62,964 | 63,526 |
| **Equity** | | | |
| Issued capital | 21 | 120,695 | 97,224 |
| Reserves | 22 | 1,721 | 1,594 |
| Accumulated losses | | (59,452) | (35,292) |
| **Total equity** | | 62,964 | 63,526 |

*The above statement of financial position should be read in conjunction with the accompanying notes*

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

| | Contributed Equity $'000 | Options Reserves $'000 | Accumulated Losses $'000 | Total equity $'000 |
|---|---|---|---|---|
| **Consolidated** | | | | |
| Balance at 1 July 2017 | 37,158 | 899 | (28,622) | 9,435 |
| Loss after income tax benefit for the year | - | - | (6,670) | (6,670) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (6,670) | (6,670) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 21) | 60,066 | - | - | 60,066 |
| Share-based payments (note 22) | - | 695 | - | 695 |
| Balance at 30 June 2018 | 97,224 | 1,594 | (35,292) | 63,526 |

| | Contributed Equity $'000 | Options Reserves $'000 | Accumulated Losses $'000 | Total equity $'000 |
|---|---|---|---|---|
| **Consolidated** | | | | |
| Balance at 1 July 2018 | 97,224 | 1,594 | (35,292) | 63,526 |
| Loss after income tax expense for the year | - | - | (24,160) | (24,160) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (24,160) | (24,160) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 21) | 23,471 | - | - | 23,471 |
| Share-based payments (note 22) | - | 127 | - | 127 |
| Balance at 30 June 2019 | 120,695 | 1,721 | (59,452) | 62,964 |

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

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | Consolidated 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 25,981 | 8,402 |
| Payments to suppliers and employees (inclusive of GST) | | (34,069) | (12,762) |
| Other income received | | 137 | 58 |
| Net cash used in operating activities | 35 | (7,951) | (4,302) |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 32 | (15,857) | (30,406) |
| Payments for property, plant and equipment | | (852) | (60) |
| Payments for assets under finance lease | | (14) | (112) |
| Payments for deposits on investment | | - | (750) |
| Net cash used in investing activities | | (16,723) | (31,328) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 20,900 | 56,255 |
| Payments for share issue costs | | (1,115) | (2,256) |
| Repayments of borrowings | | - | (7,644) |
| Interest and other finance costs paid | | (74) | - |
| Net cash from financing activities | | 19,711 | 46,355 |
| Net increase/(decrease) in cash and cash equivalents | | (4,963) | 10,725 |
| Cash and cash equivalents at the beginning of the financial year | | 14,782 | 4,057 |
| Cash and cash equivalents at the end of the financial year | 8 | 9,819 | 14,782 |

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

## NOTE 1. GENERAL INFORMATION

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards and Interpretations, the *Corporations Act 2001* and complies with other requirements of the law.

The financial report covers Longtable Group Limited and controlled entities. Longtable Group Limited is a public company, incorporated and domiciled in Australia.

For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report includes the consolidated financial statements of the Group and is referred to as the Group or consolidated entity.

The directors have the power to amend and reissue the financial report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2019.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Going concern

The financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activities, and the realization of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2019, the consolidated entity has incurred losses of $24.16 million (2018: $6.67 million) and incurred net cash outflows of $7.95 million from operations (2018: $4.30 million). As at year end, the cash position was $9.82 million (30 June 2018: $7.30 million excluding cash earmarked for the acquisition of St David Dairy on 1 August 2018).

The Company expects its normal cash flows over the next 12 months from the date of signing to be sufficient to continue as a going concern.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The presentation and functional currency of the group is Australian dollars.

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying

*Note 2. Significant accounting policies (continued)*

the consolidated entity'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.

## Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 31.

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Longtable Group Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Longtable Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

A controlled entity is any entity the Company has the power over, and is exposed or has rights to variable returns from its involvement in the entity, and has the ability to use it power to affect its returns.

A list of controlled entities is contained in Note 33 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any recognised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

The investments in controlled entities are measured at cost in the parent entity's financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

## Income tax

The charge for current income tax expense/(benefit) is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is recognised or liability is settled. Deferred tax is credited in the profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

Longtable Group Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the Group recognised its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each Group entity is then subsequently assumed by the parent entity. The Group entered into the tax consolidation regime from 1st June 2006 and notified the Australian Taxation Office that it had formed an income tax consolidated Group to apply from 1st June 2006. The tax will be paid by the parent entity as the Group has not entered into a tax funding agreement. Longtable Group Ltd is the designated parent entity for tax consolidation purposes.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis as expenses in the periods in which they are incurred, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

*Note 2. Significant accounting policies (continued)*

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Impairment of non-financial assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss and other comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in income.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Financial Liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

## Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

## Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

## Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the entity include:

- AASB 9 - Financial Instruments
- AASB 15 - Revenue from Contracts with Customers

The adoption of these standards has not had a material impact on the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 16 Leases*
The Group is required to adopt AASB 16 Leases from 1 July 2019. AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group will recognise new assets and liabilities for its operating leases of warehouse and office facilities. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities

*Note 2. Significant accounting policies (continued)*

only to the extent that there was a timing difference between actual lease payments and the expense recognized.

Based on the information currently available, the Group estimates that it will recognise right-of-use assets within a range of approximately $2.4 million to $2.6 million on 1 July 2019, and lease liabilities within a range of $2.4 million to $2.6 million.

For classification within the statement of cash flows, operating cash flows are expected to increase by approximately $0.73 million as the lease payments will be separated into both a principal (financing activities) and interest (financing activities) component rather than operating.

The Group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

## NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judge-ments, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Goodwill and other indefinite life intangible assets*
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 14. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Share-based payment transactions*
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Bino-mial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Business combinations*
As discussed in note 32, the business combinations in the current year have been accounted for on a provisional ba-sis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consoli-dated entity taking into consideration all available information at the reporting

date. Fair value adjustments on the fi-nalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

## NOTE 4. OPERATING SEGMENTS

*Identification of reportable operating segments*

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the managing director (the Chief Operating Decision Maker) in order to allocate resources to the segment and to assess its performance.

There are currently four operating segments under the criteria set out in AASB 8, being B.-d Farm Paris Creek Pty Ltd ("Paris Creek Farms"), St David Dairy Pty Ltd ("St David Dairy"), Maggie Beer Products Pty Ltd ("MBP") and other corporate costs.

Information regarding these segments is set out below.

All operations were in Australia for both current and comparative period.

Revenues of approximately $6.98 million (2018: $3.04 million) are concentrated in a small number of external customers.

| | Paris Creek Farms $'000 | St David Dairy $'000 | MBP $'000 | Other segments $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Consolidated - 2019** | | | | | |
| **Revenue** | | | | | |
| Sales of goods to external customers | 14,952 | 6,647 | 4,241 | - | 25,840 |
| Intersegment sales | (224) | - | - | - | (224) |
| Total sales revenue | 14,728 | 6,647 | 4,241 | - | 25,616 |
| Other revenue | 58 | - | 16 | 63 | 137 |
| **Total revenue** | 14,786 | 6,647 | 4,257 | 63 | 25,753 |
| Profit/(loss) before income tax expense, Impairment and fair value gain | (6,782) | 640 | (45) | (4,788) | (10,975) |
| Impairment and fair value gain | (15,189) | - | - | 2,004 | (13,185) |
| **Profit/(loss) before income tax expense** | (21,971) | 640 | (45) | (2,784) | (24,160) |
| Income tax expense | | | | | - |
| **Loss after income tax expense** | | | | | (24,160) |
| **Assets** | | | | | |
| Segment assets | 30,546 | 16,636 | 26,428 | 11,806 | 85,416 |
| Intersegment eliminations | | | | | (11,131) |
| **Total assets** | | | | | 74,285 |
| **Liabilities** | | | | | |
| Segment liabilities | 18,010 | 1,523 | 5,477 | 1,395 | 26,405 |
| Intersegment eliminations | | | | | (15,084) |
| **Total liabilities** | | | | | 11,321 |

## Note 4. Operating segments (continued)

| | Paris Creek Farms $'000 | MBP $'000 | Other segments $'000 | Total $'000 |
|---|---|---|---|---|
| **Consolidated - 2018** | | | | |
| **Revenue** | | | | |
| Sales of goods to external customers | 8,607 | - | - | 8,607 |
| Other revenue | 68 | - | - | 68 |
| Interest revenue | - | - | 58 | 58 |
| **Total revenue** | 8,675 | - | 58 | 8,733 |
| | | | | |
| **Loss before income tax benefit** | (1,683) | (594) | 5,417) | (7,694 |
| Income tax benefit | | | | 1,024 |
| **Loss after income tax benefit** | | | | (6,670) |
| | | | | |
| **Assets** | | | | |
| Segment assets | 47,771 | - | 20,622 | 68,393 |
| Intersegment eliminations | | | | (519) |
| **Total assets** | | | | 67,874 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 13,263 | - | 1,274 | 14,537 |
| Intersegment eliminations | | | | (10,189) |
| **Total liabilities** | | | | 4,348 |

*Accounting policy for operating segments*
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), Longtable's Managing Director. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## NOTE 5. REVENUE

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Revenue from sale of goods | 25,616 | 8,607 |
| Other revenue | 137 | 126 |
| Revenue | 25,753 | 8,733 |

The group has adopted AASB 15 Revenue from Contracts with Customers effective 1 July 2018 which resulted in changes in accounting policies and required no retrospective adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new standard with the modified retrospective method and has determined the application of AASB 15 to have an immaterial impact on the group's financial statements.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

AASB 15 Revenue from Contracts with Customers – Accounting policies changes
*Accounting for revenue from sale of goods*
Revenue from the sale of goods is recognised to the extent that the Group satisfies its single performance obligation to transfer agreed goods and the transaction price can be readily identified. All revenue is recognised at a point when control of the goods is transferred to the customer i.e. when the goods are delivered to the customer. Revenue is measured at the fair value of the consideration received or receivable being the amount to which the entity expects to be entitled to in exchange for goods. Amounts disclosed as revenue are net of discounts, trade allowances and rebates.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

## NOTE 6. SIGNIFICANT ITEMS

Significant items relate to significant changes in the business during the past financial year and are identified due to their nature and magnitude on the assessment of business performance.

The following significant items are included in Raw materials and consumables used, Employee benefits expense and Other expenses:

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| New product launch transitional costs | 603 | - |
| Redundancy | 465 | - |
| Exceptional stock write-off | 371 | - |
| Disposal of excess raw milk | 311 | - |
| Consultant fees (ex Paris Creek Farms vendors) | 220 | 175 |
| Doubtful debts expense | 150 | 157 |
| Paris creek employment entitlement true-up | - | 257 |
| Other | 3 | 266 |
| Total significant items | 2,123 | 855 |

## NOTE 7. INCOME TAX BENEFIT

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| *Income tax benefit* | | |
| Current tax | (3,232) | (822) |
| Deferred tax expense | | |
| Amounts not brought to account as a Deferred Tax Asset in the current year | 3,232 | 654 |
| Current year movements | - | (856) |
| Aggregate income tax benefit | - | (1,024) |
| *Numerical reconciliation of income tax benefit and tax at the statutory rate* | | |
| Loss before income tax benefit | (24,160) | (7,694) |
| Tax at the statutory tax rate of 30% | (7,248) | (2,308) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible expenses | 4,617 | 629 |
| Non-assessable non-operating income | (601) | - |
| Amounts not brought to account as a Deferred Tax Asset in the current year | 3,232 | 655 |
| Income tax benefit | - | (1,024) |

| | Consolidated | |
| --- | --- | --- |
| | 2019 $'000 | 2018 $'000 |
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised (Australia) | 27,381 | 11,333 |
| Potential tax benefit @ 30% | 8,214 | 3,400 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The Australian entity has unused capital losses of $6.25 million (at 30%: $1.87 million) that are not recognised in the financial report, in addition to the losses stated above.

| | Consolidated | |
| --- | --- | --- |
| | 2019 $'000 | 2018 $'000 |
| *Deferred tax balances disclosure* | | |
| Deferred tax assets | - | 519 |
| Deferred tax liabilities | - | (519) |
| Net temporary differences | - | - |

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

## NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | Consolidated | |
| --- | --- | --- |
| | 2019 $'000 | 2018 $'000 |
| Cash at bank | 9,819 | 14,772 |
| Cash on deposit | - | 10 |
| | 9,819 | 14,782 |

*Accounting policy for cash and cash equivalents*
Cash and cash equivalents comprise cash on hand and cash in banks.

## NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Trade receivables (net of loss allowance provision) | 6,282 | 2,817 |
| GST receivable | 280 | 118 |
| | 6,562 | 2,935 |

*Accounting policy for trade and other receivables*
Trade receivables and other receivables are all classified as financial assets held at amortised cost.

Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less a loss allowance provision. The carrying value of trade and other receivables, less loss allowance provisions, is considered to approximate fair value, due to the short term nature of the receivables.

The collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectable are written off when identified. The Group recognises an loss allowance provision based upon anticipated lifetime losses of trade receivables. The anticipated losses are determined with reference to historical loss experience adjusted to reflect current and forward-looking information and is regularly reviewed and updated.

Trade receivables are generally due for settlement between 30 and 60 days.

*Credit risks related to receivables*
Refer to Note 24 for additional information.

## NOTE 10. CURRENT ASSETS - INVENTORIES

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Stock on hand - at cost | 3,628 | 1,341 |

*Accounting policy for inventories*
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. All stock on hand is recognised using the First In First Out ('FIFO') method of valuation.

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.

## NOTE 11. CURRENT ASSETS - OTHER CURRENT ASSETS

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Prepayments | 406 | 317 |

## NOTE 12. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 19 July 2016, the Company paid $15 million to acquire 48% of the shares of Maggie Beer Products Pty Ltd (MBP), a company domiciled in Australia that manufactures and sells premium and food and beverage products.

On 30 June 2017, the Group reassessed the carrying amount of its investment in MBP, for indicators of impairment such as unexpected poor performance for that financial year. As a result, an internal valuation of MBP was performed to determine the Group's share of the enterprise value.

An impairment loss of $8.48 million was recognised in the Statement of Profit or Loss and Other Comprehensive Income.

On 30 June 2018, the Group reassessed the carrying amount of its investment in MBP, for indicators of impairment such as unexpected poor performance for this financial year. As a result, an internal valuation of MBP was performed to determine the Group's share of the enterprise value. No impairment was noted as a result of this assessment

On 16 April 2019, the Group acquired the remaining 52% of MBP that it did not already own. This resulted in control of the company, and consolidation of its balances from this date onward. Please refer to Note 32 for further details.

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Investment in Maggie Beer Products Pty Ltd ("MBP") | - | 4,907 |
| **Summarised Balance Sheet** | | |
| Current assets | - | 10,476 |
| Non-current assets | - | 7,658 |
| Current liabilities | - | (5,299) |
| Non-current liabilities | - | (1,169) |
| Net assets | - | 11,666 |
| **Reconciliation of carrying amount of investment** | | |
| Opening net assets | 11,666 | 12,905 |
| Profit / (loss) for the period | 987 | (1,239) |
| Reversal of equity investment upon control | (12,653) | - |
| Closing net assets | - | 11,666 |

*Note 12. Non-current assets - investments accounted for using the equity method (continued)*

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| **Company share %** | | |
| Company's share of opening net assets | 4,907 | 5,501 |
| Company's share of net profit / (loss) for the period up to 16 April 2019 | 474 | (594) |
| Fair value gain of 48% equity investment upon gaining control | 2,004 | - |
| Reversal of equity investment upon consolidation | (7,385) | - |
| Carrying amount of investment in associate | - | 4,907 |

In accordance with the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

The total carrying amount of the investment has been fair valued and reversed as at 16 April 2019, upon acquisition of the remaining 52% of Maggie Beer Products Pty Ltd. Refer to Note 32 - Business Combination for more details.

## NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Land | 460 | 460 |
| Motor vehicles | 1,111 | 828 |
| Less: Accumulated depreciation | (437) | (86) |
| | 674 | 742 |
| Plant and equipment | 14,941 | 7,884 |
| Less: Accumulated depreciation | (3,588) | (294) |
| | 11,353 | 7,590 |
| Building and leasehold improvements | 6,977 | 6,906 |
| Less: Accumulated depreciation | (333) | (113) |
| | 6,644 | 6,793 |
| | 19,131 | 15,585 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below

| Consolidated | Land $'000 | Motor vehicles $'000 | Building and leasehold improvements $'000 | Plant and other equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2017 | - | - | - | - | - |
| Additions | - | - | 31 | 368 | 399 |
| Additions through business combinations | 460 | 828 | 6,875 | 7,877 | 16,040 |
| Disposals | - | - | - | (361) | (361) |
| Depreciation on disposal | - | - | - | 21 | 21 |
| Depreciation expense | - | (86) | (113) | (315) | (514) |
| Balance at 30 June 2018 | 460 | 742 | 6,793 | 7,590 | 15,585 |
| Additions | - | 21 | 72 | 760 | 853 |
| Additions through business combinations (note 32) | - | 245 | 212 | 3,573 | 4,030 |
| Transfers in/(out) | - | (63) | (206) | 269 | - |
| Depreciation expense | - | (271) | (227) | (839) | (1,337) |
| Balance at 30 June 2019 | 460 | 674 | 6,644 | 11,353 | 19,131 |

Refer to note 25 for further information on fair value measurement.

*Accounting policy for property, plant and equipment*
Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

The depreciable amount of all fixed assets including recognised lease assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| Land | n/a |
| Motor vehicles | 5 years |
| Plant and equipment | 4 to 20 years |
| Building and leasehold improvements | 10 to 33 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## NOTE 14. NON-CURRENT ASSETS - INTANGIBLE ASSETS

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Goodwill | 27,086 | 27,257 |
| | | |
| Brand | 6,650 | - |
| Less: Accumulated amortisation | (292) | - |
| | 6,358 | - |
| | | |
| Customer contracts | 1,515 | - |
| Less: Accumulated amortisation | (278) | - |
| | 1,237 | - |
| | | |
| Other intangible assets | 112 | - |
| Less: Accumulated amortisation | (54) | - |
| | 58 | - |
| | | |
| | 34,739 | 27,257 |

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Goodwill $'000 | Brand $'000 | Customer contracts $'000 | Other tangible $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2017 | - | - | - | - | - |
| Additions through business combinations (note 32) | 27,257 | - | - | - | 27,257 |
| | | | | | |
| Balance at 30 June 2018 | 27,257 | - | - | - | 27,257 |
| Additions through business combinations (note 32) | 15,019 | 6,650 | 1,515 | 58 | 23,242 |
| Impairment of assets | (15,190) | - | - | - | (15,190) |
| Amortisation expense | - | (292) | (278) | - | (570) |
| | | | | | |
| Balance at 30 June 2019 | 27,086 | 6,358 | 1,237 | 58 | 34,739 |

Goodwill was acquired as a result of business combinations entered into during the current and previous year, refer to note 32 for details.

*Accounting policy for intangible assets*
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Accounting policy for goodwill*
Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the statement of profit or loss and other comprehensive income as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*Intangible Assets acquired in a business combination*
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated im-pairment losses, on the same basis as intangible assets that are acquired separately.

*Recoverable amount of goodwill*
In accordance with AASB 136, impairment testing has been undertaken for all cash generating units (CGUs) with indefinite intangibles or where there is an indication of impairment. Given St David Dairy and Maggie Beer Products were acquired during the year and the business combinations for these acquisitions are provisional at year end (refer Note 32), the Company considers the recent acquisition price to reflect fair value. The Company has considered the performance of the two companies post acquisition; no additional impairment testing was deemed necessary.

## *Note 14. Non-current assets - intangible assets (continued)*

At 30 June 2019, for Paris Creek Farms the recoverable amount has been determined based on value-in-use calculations which uses cash flow projections based on financial forecasts covering a five-year period, including non-cash adjustments such as changes in working capital, depreciation and amortisation, and maintenance capital expenditure. Cash flows are extrapolated using estimated growth rates beyond the five-year period.

Key assumptions used in the value-in-use calculations for the Paris Creek Farms CGU are based on management's latest forecast for financial year 2020 and a combination of business case assumptions, forecast milk availability and long-term averages for the latter years.

*Revenue growth*
Revenue growth over the five-year period is based upon forecasted revenue on a business-as-usual basis and assumes no New Products Development (NPD) or new geographies (in accordance with AASB 136); is in line with the processing capability and capacity of the business unit; is underpinned by estimated increases in milk intake volumes; and supported by modest market price increases to mitigate the cost increase in raw milk. Average revenue growth over the forecast period is anticipated to be 17% per annum (12.2% per annum for the 4 years from financial year 2021).

*Costs*
Overall forecast costs are based on past performance incorporating recent restructure initiatives and implemented cost savings and management's expectations for the future. The increase in the cost price of procuring biodynamic organic milk by c.8% to approximately 70 cents per litre ('cpl') from 65cpl in FY19 is used as the base in FY20 and FY21. Further increases are assumed in FY22 and beyond equivalent to CPI.

*Long-term growth rate*
The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. A long-term growth rate of 2.5% has been used in the value-in-use calculations, which is consistent with the Reserve Bank of Australia's inflation target range.

*Post-tax discount rate*
Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the Group has applied a post-tax discount rate of 9.58% per annum.

*Review outcome*
In completing the impairment review based on the aforementioned business-as-usual assumptions, the carrying value of goodwill for Paris Creek Farms was impaired by $15.19m.

*Sensitivities*
A change in the EBITDA margin by an average of 1.0pt over the five-year forecast period would result in a $2.7 million impact to the recoverable amount of the CGU compared to the carrying amount of goodwill; a change of 5% in revenue each year over the forecast period would result in a $1.7 million impact to the recoverable amount; and a change of 3% in the cost of raw milk purchases over the forecast period would result in a $2.9 million impact to the recoverable amount. These sensitivities cover the key possible material impacts to the recoverable amount.

*Brand*
Brand acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life range of 5-15 years.

*Customer contracts*
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life range of 0-10 years.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## NOTE 15. NON-CURRENT ASSETS - OTHER

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Other deposits | - | 750 |

Other assets above includes a $0.75 million security deposit paid in the prior period with regards to the acquisition of St David Dairy Pty Ltd. This deposit was non-refundable and forms part of the acquisition cost of $14.95 million for St David Dairy Pty Ltd.

## NOTE 16. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Trade payables | 5,232 | 2,723 |
| Employee related payables | 659 | 358 |
| Other payables | 957 | 433 |
| | 6,848 | 3,514 |

Refer to note 24 for further information on financial instruments.

*Accounting policy for trade and other payables*
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured, non-interest bearing and are usually due for payment within 30 to 60 days of issue.

## NOTE 17. CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Related party loans | 292 | - |
| Convertible note payable | 500 | - |
| Lease liability | 401 | 100 |
| | 1,193 | 100 |

Refer to note 24 for further information on financial instruments.

The convertible note was issued to Beer Family Holdings, a related entity of Maggie Beer, a Non-Executive Director of the Company, with terms as detailed within note 33. The fair value of the convertible note has been deemed to be the principal amount of the note payable.

In addition to the above, NAB provides an invoice finance facility to a subsidiary of the Group, Maggie Beer Products Pty Ltd which is available for $3 million.

The facility is secured over receivables of Maggie Beer Products, and is subject to the subsidiary complying with its obligations (including financial covenants) under the facility.

At 30 June 2019, the aggregate amount outstanding under the facilities was $nil and the subsidiary was in compliance with its obligations under those facilities.

## NOTE 18. CURRENT LIABILITIES - EMPLOYEE BENEFITS

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Employee benefits | 1,346 | 432 |

*Accounting policy for employee benefits*

*Short-term employee benefits*
Liabilities for annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

## NOTE 19. NON-CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Related party loans | 716 | - |
| Lease liability | 1,082 | 264 |
| | 1,798 | 264 |

Refer to note 24 for further information on financial instruments.

Refer to note 30 for further information on related party transactions.

*Total secured liabilities*
The total secured lease liabilities are as follows:

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Commitments in relation to finance leases are payable as follows: | | |
| Less than one year | 441 | 100 |
| Later than one year but less than five years | 1,209 | 309 |
| Minimum lease payments | 1,650 | 409 |
| Future finance charges | (167) | (45) |
| Recognised as liability | 1,483 | 364 |

Assets pledged as security:
The related party loans are unsecured.
The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

## NOTE 20. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Employee benefits | 136 | 38 |

*Accounting policy for other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## NOTE 21. EQUITY - ISSUED CAPITAL

| | Consolidated | | | |
|---|---|---|---|---|
| | 2019 Shares | 2018 Shares | 2019 $'000 | 2018 $'000 |
| Ordinary shares - fully paid | 207,151,703 | 111,292,884 | 120,695 | 97,224 |

*Movements in ordinary share capital*

| | Date | Shares | Issue price | $'000 |
|---|---|---|---|---|
| Balance | 01 July 2017 | 738,665,306 | | 37,158 |
| Issue of shares - Laura McBain | 13 October 2017 | 35,000,000 | $0.018 | 630 |
| Issue of shares - Laura McBain | 21 December 2017 | 35,000,000 | $0.018 | 630 |
| Fair value adjustment to shares issued to Laura McBain in accordance with AASB 2 - Share Based Payments | | - | $0.000 | 1,400 |
| Issue of shares to shareholders | 22 December 2017 | 1,433,180,580 | $0.030 | 42,995 |
| Issue of shares to vendors | 22 December 2017 | 116,666,667 | $0.040 | 4,667 |
| Issue of shares to shareholders | 12 February 2018 | 66,666,694 | $0.030 | 2,000 |
| Consolidation of shares issued on a 25-for-1 basis | 09 March 2018 | (2,328,172,077) | $0.000 | - |
| Issue of shares to shareholders | 29 June 2018 | 14,285,714 | $0.700 | 10,000 |
| Costs of capital raising | | - | $0.000 | (2,256) |
| Balance | 30 June 2018 | 111,292,884 | | 97,224 |
| Issue of shares to shareholders | 30 July 2018 | 7,142,856 | $0.700 | 4,999 |
| Issue of shares to vendors* | 01 August 2018 | 4,285,714 | $0.630 | 2,700 |
| Issue of shares to shareholders | 04 March 2019 | 10,905,000 | $0.200 | 2,181 |
| Issue of shares under Entitlement Offer | 10 April 2019 | 68,525,249 | $0.200 | 13,705 |
| Issue of shares to vendors | 16 April 2019 | 5,000,000 | $0.200 | 1,000 |
| Costs of capital raising | | - | $0.000 | (1,114) |
| Balance | 30 June 2019 | 207,151,703 | | 120,695 |

*The Company issued shares to vendors on completion of the acquisition of St David Dairy at a deemed issue price of $0.70 (70 cents) per share, with a total contract value of $3.00 million. However under AASB 3 - Business Combination, the fair value of $2.70 million is calculated using $0.63 (63 cents) per share, being the closing share price on the date of shareholder approval (1 August 2018). This resulted in a decrease in the accounting value amounting by $0.30 million.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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.

*Share buy-back*
No shares were bought back during the year ended 30 June 2019 (2018: NIL).

*Capital risk management*
Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves. Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of payables and tax.

The capital risk management policy remains unchanged from the 2018 Annual Report.

*Accounting policy for issued capital*
Ordinary shares are classified as equity.

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.

## NOTE 22. EQUITY - RESERVES

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Options reserve | 1,721 | 1,594 |

*Options reserve*
Options reserve arises on the grant of share options to Directors and employees of Longtable Group and Maggie Beer Products under the Longtable Group incentive option scheme. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

The company operates an ownership-based remuneration scheme through the Incentive Option Scheme, details of which are provided in note 37 to the financial statements. Other than minimal administration costs, which are expensed when incurred, the plan does not result in any cash outflow from the Company.

The fair value of equity-settled share based payments is measured by use of the Black-Scholes and Binomial model. The expected life used in the models have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

*Note 22. Equity - reserves (continued)*

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Option reserve $'000 | Total $'000 |
|---|---|---|
| Balance at 1 July 2017 | 899 | 899 |
| Share based payment* | 695 | 695 |
| Balance at 30 June 2018 | 1,594 | 1,594 |
| Share based payment* | 127 | 127 |
| Balance at 30 June 2019 | 1,721 | 1,721 |

** Share based payment expense during the financial year has resulted from the following:*
*- Accounting for the fair value of options issued to directors and employees during the financial period, amounting to $0.08 million;*
*- Accounting for the fair value of performance rights issued to directors and employees during the financial period, amounting to $0.01 million;*
*- Accounting for the fair value of loan funded shares, which were issued during the 2017 financial year, amounting to $0.04 million.*

## NOTE 23. EQUITY - DIVIDENDS

*Dividends*
There were no dividends paid, recommended or declared during the current or previous financial year.

*Franking credits*

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 7,568 | 6,115 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## NOTE 24. FINANCIAL INSTRUMENTS

*Financial risk management objectives*
The capital structure of the consolidated entity consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves. Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of payables and tax.

The consolidated entity's principal financial instruments comprise receivables, payables, cash and short-term deposits. These activities expose the consolidated entity to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The consolidated entity does not have formal documented policies and procedures for the management of risk associated with financial instruments. However, the Board has responsibility for managing the different types of risks to which the consolidated entity is exposed. These responsibilities include considering risk and monitoring levels of exposure to interest rate risk, foreign exchange rate risk and by being aware of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through general business budgets and forecasts.

### *Market risk*

*Foreign currency risk*
The consolidated entity undertook certain transactions denominated in foreign currency in a prior period and was exposed to foreign currency risk through foreign exchange rate fluctuations. No such foreign currency risk exists as at 30 June 2019.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

*Price risk*
The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*
The Group's exposure to market interest rates relates primarily to the Group's cash and short term deposits held.

*Sensitivity Analysis*
The following sensitivity analysis is based on the interest rate risk exposures in existence at the statement of financial position date.

*Note 24. Financial instruments (continued)*

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax-loss and equity would have been affected as follows:

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| Consolidated - 2019 | Basis points change | Effect on profit before tax $'000 | Effect on equity $'000 | Basis points change | Effect on profit before tax $'000 | Effect on equity $'000 |
| Bank deposits | 100 | 98 | 98 | (50) | (49) | (49) |

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| Consolidated - 2018 | Basis points change | Effect on profit before tax $'000 | Effect on equity $'000 | Basis points change | Effect on profit before tax $'000 | Effect on equity $'000 |
| Bank deposits | 100 | 147 | 147 | (50) | (74) | (74) |

*Credit risk*

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for impairment losses, as disclosed in the statement of financial position and notes to the financial report.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the Group's policy to consider the credit worthiness of all customers who wish to trade on credit terms.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

*Allowance for expected credit losses*
The loss allowance as at 30 June 2019 was determined as follows for trade receivables:

| | Loss allowance provision 2019 $'000 | Loss allowance provision 2018 $'000 | Gross amount 2019 $'000 | Gross amount 2018 $'000 |
|---|---|---|---|---|
| Not past due | 37 | 2 | 3,754 | 1,535 |
| Past due 0 - 60 days | 100 | 18 | 2,611 | 1,035 |
| Past due 60+ days | 144 | 137 | 198 | 404 |
| | 281 | 157 | 6,563 | 2,974 |

*Liquidity risk*
The Group manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

## *Note 24. Financial instruments (continued)*

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated-2019 | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|
| Non-derivatives | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | - | 6,848 | - | - | - | 6,848 |
| Convertible note | - | 500 | - | - | - | 500 |
| *Interest-bearing - fixed rate* | | | | | | |
| Related party loan | 2.80% | 292 | 146 | 438 | 132 | 1,008 |
| Lease liability | 10.80% | 441 | 420 | 622 | - | 1,483 |
| Total non-derivatives | | 8,081 | 566 | 1,060 | 132 | 9,839 |

| Consolidated-2018 | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|
| Non-derivatives | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | - | 3,514 | - | - | - | 3,514 |
| *Interest-bearing - fixed rate* | | | | | | |
| Lease liability | 5.25% | 100 | 264 | - | - | 364 |
| Total non-derivatives | | 3,614 | 264 | - | - | 3,878 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

*Fair value of financial instruments*
The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

There were no financial instruments that are measured subsequent to initial recognition at fair value as at reporting date.

| Consolidated | 2019 Carrying amount $'000 | 2019 Fair value $'000 | 2018 Carrying amount $'000 | 2018 Fair value $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Cash and cash equivalents | 9,819 | 9,819 | 14,782 | 14,782 |
| Trade and other receivables | 6,562 | 6,562 | 2,935 | 2,935 |
| | 16,381 | 16,381 | 17,717 | 17,717 |
| *Liabilities* | | | | |
| Trade and other payables | 6,848 | 6,848 | 3,514 | 3,514 |
| Convertible note | 500 | 500 | - | - |
| Lease liability | 1,483 | 1,483 | 364 | 364 |
| Related party loans | 1,008 | 1,008 | - | - |
| | 9,839 | 9,839 | 3,878 | 3,878 |

## NOTE 25. FAIR VALUE MEASUREMENT

*Accounting policy for fair value measurement*
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## NOTE 26. KEY MANAGEMENT PERSONNEL DISCLOSURES

*Directors*
The following persons were directors of Longtable Group Limited during the financial year:

| | |
|---|---|
| Tony Robinson | Non-Executive Chairman |
| Tom Kiing | Non-Executive Director |
| Hugh Robertson | Non-Executive Director |
| Maggie Beer | Non-Executive Director (appointed 18 April 2019) |
| Laura McBain | Managing Director |

*Other key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

| | |
|---|---|
| Michael Caragounis | Chief Financial Officer |

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Short-term employee benefits | 803,355 | 630,258 |
| Post-employment benefits | 52,520 | 35,579 |
| Share-based payments | 80,144 | 1,998,665 |
| | 936,019 | 2,664,502 |

## NOTE 27. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company, and its network firms:

| | Consolidated | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| *Assurance services - PricewaterhouseCoopers* | | |
| Audit or review of the financial statements | 150,000 | - |
| Other Assurance services | 10,000 | |
| | 160,000 | |
| *Other services - PricewaterhouseCoopers* | | |
| Other services | 100,000 | - |
| Tax advisory | 30,500 | - |
| | 130,500 | - |
| | 290,500 | - |
| *Audit services - Deloitte Touche Tohmatsu - Prior Auditor of Company* | | |
| Audit or review of the financial statements | - | 78,300 |
| *Other services - Deloitte Touche Tohmatsu - Prior Auditor of Company* | | |
| Tax advisdory | - | 12,500 |
| | - | 90,800 |

## NOTE 28. CONTINGENT ASSETS

As at the date of signing this report, Longtable Group Limited has notified the previous vendors of B.-d Farms Paris Creek Pty Ltd of a Warranty Claim under the Share Sale Agreement. The Warranty Claim relates to particular warranties provided by the vendors as a part of the acquisition of Paris Creek.

Given the Warranty Claim is at a preliminary stage, the Directors are not in a position currently to recognise a contingent asset, however do expect an amicable outcome, given the positive relationship between both parties.

## NOTE 29. COMMITMENTS

| | Consolidated | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| *Lease commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 753 | - |
| One to five years | 1,927 | - |
| | 2,680 | - |

## NOTE 30. RELATED PARTY TRANSACTIONS

*Parent entity*
Longtable Group Limited is the parent entity of the consolidated entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 33.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

*Transactions with related parties*
During the year, Maggie Beer Products Pty Ltd entered into the following trading transactions with related parties that are not members of the consolidated entity:

| | Consolidated | |
|---|---|---|
| | 2019 $ | 2018 $ |
| Sale of goods and services: | | |
| - To entities with common directorship | 71,463 | - |
| Payment for goods and services: | | |
| - From entities with common directorship | 128,627 | - |
| - From key management personnel | 39,548 | - |

During the financial year, the consolidated entity paid or had payable $129,530 in relation to insurance renewals and related services provided by an entity associated with Mr Tony Robinson, PSC Insurance Group Limited (2018:$358,725)

During the year, the Company completed capital raisings amounting to a fair value of $20.89

million from the issue of 86,573,105 shares at various issue prices. These capital raisings were fully underwritten by Bell Potter Securities Limited, an entity associated with Hugh Robertson. Bell Potter was paid management and underwriting fees of $1,000,675 (2018: $2,152,864).

In addition, 48,019,130 Shortfall shares were offered to Bell Potter Securities Limited in its capacity as underwriter under Entitlement Offer capital raising issued on 4 April 2019.

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties entered into by Maggie Beer Products Pty Ltd, with related parties that are not members of the consolidated entity:

| | Consolidated | |
|---|---|---|
| | 2019 $ | 2018 $ |
| Current receivables: | | |
| Trade receivables from entities with common directorship | 21,083 | - |
| Current payables: | | |
| Trade payables to entities with common directorship | 7,975 | - |
| Trade payables to key management personnel | 14,401 | - |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

*Loans to/from related parties*
The following balances are outstanding at the reporting date in relation to loans with related parties:

| | Consolidated | |
|---|---|---|
| | 2019 $ | 2018 $ |
| Current borrowings: | | |
| Loan from entity with common directorship | 1,008 | - |

As part of the acquisition of Maggie Beer Products Pty Ltd the company acquired an unsecured related party loan of $0.977 million with the vendor. The loan primarily relates to the dividend paid by Maggie Beer Products Pty Ltd and subsequently loaned back. The repayment of this loan will be made over the equivalent of 10 years and is interest bearing at a term deposit rate of 2.8%.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## NOTE 31. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Loss after income tax | (17,402) | (4,989) |
| Total comprehensive income | (17,402) | (4,989) |
| Total current assets | 11,769 | 16,692 |
| Total assets | 71,776 | 66,482 |
| Total current liabilities | 1,379 | 999 |
| Total liabilities | 1,396 | 1,275 |
| Equity | | |
| Issued capital | 120,695 | 97,224 |
| Options reserve | 1,721 | 1,594 |
| Accumulated losses | (52,036) | (33,611) |
| Total equity | 70,380 | 65,207 |

*Contingent liabilities*
There were no contingent liabilities of the company (2018: $0.08 million).

*Capital commitments - Property, plant and equipment*
There were no commitments for the acquisition of property, plant and equipment by the parent entity during the year (2018: NIL).

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in these financials, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

## NOTE 32. BUSINESS COMBINATIONS

*St David Dairy Pty Ltd*

Effective 1 August 2018, the consolidated entity acquired 100% of the ordinary shares of St David Dairy Pty Ltd ("St David Dairy") for a total consideration of $14.95 million. St David Dairy is a premium inner-city dairy product processing and distribution business located at Fitzroy in Melbourne.

At the date of finalisation of the year end report, the consolidated entity has not yet finalised its analysis on whether all identifiable intangible assets have been recognised and vendor warranties and representations met. Accordingly, the initial accounting for the acquisition of St David Dairy has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of St David Dairy's assets are required to be reset based on market values of the assets when admitted into the tax consolidated group.

The acquired business contributed revenues of $6.65 million and a profit after tax of $0.64 million to the consolidated entity for the period ending 30 June 2019. If the business had been acquired as of 1 July 2018 then it would have contributed $7.25 million in revenue and a profit after tax of $0.07 million.
The trade and other receivables on date of acquisition is equivalent to the gross contractual receivables acquired less expected credit loss.
The goodwill is not deductible for tax purposes.

The provisional fair values of the identifiable net assets acquired are detailed below and no material movements are expected from the fair value of the net assets presented below:

| | Fair value $'000 |
|---|---|
| Cash and cash equivalents | 169 |
| Trade and other receivables | 423 |
| Other current assets | 19 |
| Inventories | 53 |
| Plant and equipment | 438 |
| Motor vehicles | 245 |
| Brand | 2,163 |
| Customer contracts | 1,515 |
| Trade and other payables | (436) |
| Other current liabilities | (725) |
| Net assets acquired | 3,864 |
| Goodwill | 11,086 |
| Acquisition-date fair value of the total consideration transferred | 14,950 |
| Representing: | |
| Cash paid or payable to vendor | 12,250 |
| Longtable Group Limited shares issued to vendor | |
| Value of share issued at $0.63 (63 cents) per share* | 2,700 |
| | 14,950 |

* The Company issued shares to vendors on completion of the acquisition of St David Dairy at a deemed issue price of $0.70 (70 cents) per share, with a total contract value of $3.00 million. However under AASB 3 - Business Combination, the fair value of $2.70 million is calculated using $0.63 (63 cents) per share, being the closing share price on the date of shareholder approval (1 August 2018). This resulted in a decrease in the accounting value amounting by $0.30 million.

*Note 32. Business combinations (continued)*

### i. Consideration transferred

The fair value of the ordinary shares issued to vendor was $0.63 (63 cents) per ordinary share, being the closing share price on 1 August 2018 (date of shareholder approval). The shares have been escrowed, with fifty percent of the shares escrowed for 12 months from the date of issue and the remaining fifty percent of the shares escrowed for 24 months from the date of issue.

### ii. Acquisition related costs

Acquisition-related costs amounting to $0.02 million are not included as part of consideration for the acquisition and have been recognised as transaction costs for the period ended 30 June 2019.

*Maggie Beer Products Pty Ltd ("MBP")*
On 16 April 2019 Longtable Group Limited

acquired the 52% of shares in MBP that it did not already own, for a mix of cash, shares and a convertible note.

This increased its existing ownership from 48% to 100%, and resulted in the Group gaining control of MBP.

At the date of finalisation of the year end report, the consolidated entity has not yet finalised its analysis on whether all identifiable intangible assets have been recognised and vendor warranties and representations met. Accordingly, the initial accounting for the acquisition of MBP has only been provisionally determined at the end of the reporting period. For tax purposes, the tax values of MBP's assets are required to be reset based on market values of the assets when admitted into the tax consolidated group.

The acquired business contributed revenue of $4.26 million and a net loss after tax of $0.05 million to the Group for the period since acquisition to 30 June 2019. If the business had been acquired as of 1 July 2018 then it would have contributed $21.02 million in revenue and a profit after tax of $0.96 million.

The trade and other receivables on date of acquisition is equivalent to the gross contractual receivables acquired less expected credit loss.

The goodwill is not deductible for tax purposes.

Details of the aggregated purchase consideration, the provisional net assets acquired and goodwill are as follows:

| | Fair value $'000 |
|---|---|
| Cash and cash equivalents | 3,972 |
| Trade receivables | 3,497 |
| Inventories | 2,147 |
| Other current assets | 143 |
| Leasehold improvements | 212 |
| Plant and equipment | 3,135 |
| Brand | 4,487 |
| Other intangible assets | 58 |
| Trade payables | (1,602) |
| Borrowings | (1,139) |
| Employee benefits provision | (481) |
| Related party loans | (977) |
| Net assets acquired | 13,452 |
| Goodwill | 3,933 |
| Acquisition-date fair value of the total consideration transferred | 17,385 |
| Representing: | |
| Fair value of 48% equity interest previously held | 7,385 |
| Cash paid or payable to vendor | 8,500 |
| Longtable Group Limited shares issued to vendor | 1,000 |
| Longtable Group Limited Convertible note | 500 |
| | 17,385 |

### i. Consideration transferred

The company paid $10 million for the acquisition of the remaining 52% of the equity interest in MBP it did not already own.

The deemed issue price of the ordinary shares issued to vendor was $0.20 (20 cents) per ordinary share. The shares have been escrowed until 15 April 2021.

The fair value of the convertible note issued was $0.5 million, with terms including:

i) 12 months maturity with no coupon;
ii) Redeemable from completion date through to maturity for scrip at the holder's election;
iii) Redeemable at maturity for either cash or scrip at the holder's election;
iv) Conversion price of 20 cents if scrip is elected.

*Note 32. Business combinations (continued)*

### ii. Acquisition related costs

There were no material acquisition related costs incurred due to the existing ownership holding.

*Accounting policy for business combinations*
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

## NOTE 33. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in these financial reports:

| | | Ownership interest | |
|---|---|---|---|
| | Principal place of business | 2019 % | 2018 % |
| B.-d Farms Paris Creek Pty Ltd* | Australia | 100.00% | 100.00% |
| St David Dairy Pty Ltd* | Australia | 100.00% | - |
| Maggie Beer Products Pty Ltd* ** | Australia | 100.00% | 48.00% |

* Longtable Group Limited, B.-d Paris Creek Farms Pty Ltd, Maggie Beer Products Pty Ltd and St David Dairy Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785

** The 48% ownership of Maggie Beer Products was equity accounted for in the 2018 year and up until control was obtained on 16 April 2019. Refer to note 12 for additional details.

## NOTE 34. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## NOTE 35
## RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Loss after income tax benefit for the year | (24,160) | (6,670) |
| Adjustments for: | | |
| Depreciation and amortisation | 1,906 | 514 |
| Share of loss - associates | - | 594 |
| Share-based payments | 127 | 1,999 |
| Share of profit - associates | (474) | - |
| Net fair value gain on investments | (2,004) | - |
| Interest expense classified as financing cashflow | 74 | - |
| Impairment expense | 15,190 | - |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 365 | (287) |
| Increase in inventories | (86) | (331) |
| Decrease in other current assets | - | (110) |
| Decrease in deferred tax liabilities | - | (1,024) |
| Increase in other provisions | 104 | 155 |
| Decrease/Increase in trade creditors and accruals | 919 | 858 |
| Net cash used in operating activities | (7,951) | (4,302) |

Non-cash investing and financing activities consist of shares issued during the year as consideration for business combinations, as disclosed in Note 32.

## NOTE 36. EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2019<br>$'000 | 2018<br>$'000 |
| Loss after income tax attributable to the owners of Longtable Group Limited | (24,160) | (6,670) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 129,476,274 | 64,709,694 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 129,476,274 | 64,709,694 |
| | Cents | Cents |
| Basic earnings per share | (18.660) | (10.308) |
| Diluted earnings per share | (18.660) | (10.308) |

*Accounting policy for earnings per share*

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of Longtable Group Limited, 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 financial year.

*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 after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## NOTE 37. SHARE-BASED PAYMENTS

On 28 November 2018 the consolidated entity received approval for its Performance Rights Plan, and granted 600,000 performance rights under this plan to Laura McBain, 189,333 to Michael Caragounis and 250,667 to other employees. The consolidated entity also granted 4,700,000 unlisted options to Laura McBain and 600,000 options to Michael Caragounis on this date. These options and performance rights are subject to vesting conditions related to service and performance.

The options and performance rights hold no voting or dividend rights, and are not transferable.

.

Set out below is a summary of options outstanding at reporting date:

2019

| Grant date | Vesting date | Exercise price | Balance at the start of the year | Granted | Consolidation of options* | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 17/12/13 | 13/12/18 | $1.500 | 50,321 | - | - | (50,321) | - |
| 17/12/13 | 13/12/19 | $1.500 | 50,321 | - | - | - | 50,321 |
| 17/12/13 | 13/12/20 | $1.500 | 50,321 | - | - | - | 50,321 |
| 08/08/17 | 13/10/21 | $0.500 | 2,800,000 | - | - | - | 2,800,000 |
| 28/11/18 | 30/06/20 | $0.750 | - | 1,132,000 | - | - | 1,132,000 |
| 28/11/18 | 30/06/21 | $0.750 | - | 1,698,000 | - | - | 1,698,000 |
| 28/11/18 | 30/06/21 | $0.750 | - | 2,830,000 | - | - | 2,830,000 |
| | | | 2,950,963 | 5,660,000 | - | (50,321) | 8,560,642 |

2018

| Grant date | Vesting date | Exercise price | Balance at the start of the year | Granted | Consolidation of options* | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 17/12/13 | 13/12/18 | $1.500 | 1,258,033 | - | (1,207,712) | - | 50,321 |
| 17/12/13 | 13/12/19 | $1.500 | 1,258,033 | - | (1,207,712) | - | 50,321 |
| 17/12/13 | 13/12/20 | $1.500 | 1,258,033 | - | (1,207,712) | - | 50,321 |
| 8/08/17 | 13/10/21 | $0.500 | - | 70,000,000 | (67,200,000) | - | 2,800,000 |
| | | | 3,774,099 | 70,000,000 | (70,823,136) | - | 2,950,963 |

*As a result of the 25-for-1 share consolidation completed in March 2018.

Set out below is a summary of the performance rights outstanding at reporting date:

| Grant date | Vesting date | 2019 number | 2018 number |
|---|---|---|---|
| 28/11/18 | 30/06/19 | 230,000 | - |
| 28/11/18 | 30/06/20 | 230,000 | - |
| 28/11/18 | 30/06/21 | 580,000 | - |
| | | 1,040,000 | - |

## *Note 37. Share-based payments (continued)*

*Options issued to previous Managing Director*
There are no EPS hurdles attached to the options granted to the previous Managing Director, Martin Burke, however, there are market conditions as follows:

a) The option will vest on the daily closing price of ordinary shares (as quoted on ASX) remaining at or above $0.085 throughout any consecutive 20 business day period (being a date on which the ASX is open for trading) commencing at any time after the date that is 12 months after the date of issue of the Options and ending before the expiry date.

b) The option will vest on the daily closing price of ordinary shares (as quoted on ASX) remaining at or above $0.285 throughout any consecutive 20 business day period (being a date on which the ASX is open for trading) commencing at any time after the date that is 12 months after the date of issue of the Options and ending before the expiry date.

c) The option will vest on the daily closing price of ordinary shares (as quoted on ASX) remaining at or above $0.50 throughout any consecutive 20 business day period (being a date on which the ASX is open for trading) commencing at any time after the date that is 12 months after the date of issue of the Options and ending before the expiry date.

*Loan Funded Share Plan (LFSP)*
On 24 June 2016, the Company granted a total of 21,750,000 (870,000 post share consolidation completed March 2018) loan funded shares to Tony Robinson and employees of Maggie Beer Products Pty Ltd (MBP).

MBP was a joint venture of the company and did not form part of the consolidated group at the time the LFSP was issued and the amounts attributable were expensed. Amounts attributable to the share based payments to Tony Robinson and employees of MBP are expensed by the company as these share based payments vest.

The loans to acquire the shares are to be repaid by the repayment dates set out in the loan agreement. If the loan is not repaid by the repayment date, the Company will have recourse only to the cash proceeds received by the employee from a disposal of the loan funded shares and the distribution or after-tax amount in respect of a cash dividend received by the employee in respect of the loan funded shares.

*Options issued to current Managing Director in prior financial year*
On 13 October 2017 the company issued the current Managing Director, Laura McBain, 70,000,000 options, all of which vested on issue, and are able to be exercisable on or before 13 October 2021.

There are no market conditions or EPS hurdles attached to these options.

The 70,000,000 options are equivalent to 2,800,000 options post the share consolidation completed in March 2018.

Share based payments expense for the period consists of the following:

- Fair value adjustment to shares issued to Laura McBain in accordance with AASB 2 - Share Based payments of $1.4 million.

- Fair value of options issued to Laura McBain during the period amounting to $0.57 million.

- Fair value of loan funded shares issued during the 2017 financial year to Tony Robinson amounted to $0.024 million in the 2018 financial year.

# DIRECTORS' DECLARATION
# 30 JUNE 2019

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- 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 required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Tony Robinson
Non-Executive Chairman
29 August 2019

# *Independent auditor's report*

To the members of Longtable Group Limited

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

The accompanying financial report of Longtable Group Limited (the Company) and its controlled entities (together the Group or Longtable) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***What we have audited***

The Group financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

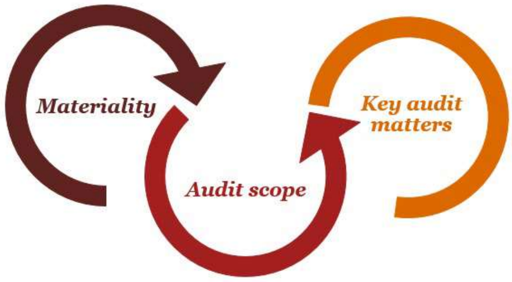
### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

***PricewaterhouseCoopers, ABN 52 780 433 757***
*2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*
*T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au*

Liability limited by a scheme approved under Professional Standards Legislation.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.




| *Materiality* | *Audit scope* |
|---|---|
| • For the purpose of our audit we used overall Group materiality of $629,000, which represents approximately 1% of the Group's net assets.<br>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.<br>• We applied this threshold because, in our view, it is the benchmark against which the performance of the Group should be measured due to fluctuations in profit and loss and the acquisitions of St David Diary Pty Ltd and Maggie Beer Products Pty Ltd during the period.<br>• We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. | • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.<br>• Longtable Group Limited operates across three operating segments with its head office functions based in Melbourne, Australia. |

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Impairment assessment of the Paris Creek Farms Cash Generating Unit (CGU)***<br>*(Refer to note 14)*<br><br>Each year, the Group is required under the Australian Auditing Standards to perform an impairment assessment of goodwill. In the 2018 financial year, the | We performed the following procedures, amongst others, on the impairment assessment of PCF cash generating unit (CGU):<br><br>• assessed whether the PCF CGU included assets, liabilities and cash flows directly attributable to the |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Group acquired Paris Creek Farms ("PCF") and recognised goodwill of $27.3 million, PP&E of $16.0 million and other net liabilities of $8.1 million.<br><br>The Group performed an impairment of the PCF assets using a value-in-use discounted cash flow model. The impairment assessment resulted in an impairment loss of $15.2 million, which was allocated to goodwill. The remaining carrying value of goodwill recognised as at 30 June 2019 is $12.1 million.<br><br>When an impairment assessment is performed, there are significant judgements made by the Group in relation to assumptions, such as:<br>• expected revenue growth and earnings, as taken from board approved budgets for financial year 2020 and projected to 2024<br>• cost of acquiring raw milk<br>• discount rates<br>• the long term growth rates.<br><br>We considered this to be a key audit matter because of the level of judgement involved by the Group in determining the assumptions used to perform impairment testing and because there was a material impairment recognised in the current year. | CGU and a reasonable allocation of corporate assets and overheads<br><br>• considered whether the value-in-use discounted cash flow model was consistent with the basis required by Australian Accounting Standards<br><br>• tested that forecast cash flows used in the impairment model were consistent with the most up-to-date budget formally approved by the Board<br><br>• considered whether the forecast cash flows used in the impairment model were reasonable by:<br>▪ assessing the key inputs in the model such as the revenue and earnings growth, cost of acquiring raw milk and long term growth rate.<br>▪ assessing Paris Creek Farm's discount rate calculations, including having regard to the inputs utilised in the weighted average cost of capital such as peer company betas and risk free rate, assisted by PwC valuation experts<br><br>• tested the mathematical accuracy on a sample basis of the impairment model's calculations<br><br>• evaluated the adequacy of the disclosures made in note (14), including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. |
| ***Accounting for business combinations***<br>*(Refer to note 32 – Business Combinations)*<br><br>The Group acquired two businesses during the year ended 30 June 2019:<br>• 100% of St David Dairy Pty Ltd on 1 August 2018<br>• The remaining 52% of Maggie Beer Products Pty Ltd ("MBP") on 16 April 2019.<br><br>We determined that the accounting for business combinations was a key audit matter due to the materiality of the value of the transactions, net assets acquired and resultant goodwill arising on the acquisitions, as well as the judgment involved in the accounting for the step acquisition of MBP and preliminary allocation of purchase price to acquired | Our procedures in relation to the accounting for acquisitions included amongst others:<br>• Testing of the initial consideration paid for each of the acquisitions to the bank statements and the purchase agreements<br>• Obtaining purchase agreements for each of the acquisitions to determine consideration from issued equity and convertible notes<br>• Testing, on a sampling basis, acquired net asset balances to supporting documentation<br>• Assessing the preliminary valuation of identifiable intangible assets and fair value of other assets acquired<br>• Assessed the Group's accounting for the step acquisition of MBP, including the reasonableness of control premium applied and re-performing the calculation of fair value gain on revaluation of equity investment upon gaining control of MBP |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| assets. | • Assessing the mathematical accuracy of the Group's calculation of the resulting goodwill arising on acquisition<br>Assessing the accuracy and completeness of business combination disclosures in the financial statements. |

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

## *Report on the remuneration report*

### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 18 to 24 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Longtable Group Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake

Brad Peake
Partner

Melbourne
29 August 2019

The shareholder information set out below was applicable as at 7 August 2019.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares |
|---|---|
| 1 to 1,000 | 1,115 |
| 1,001 to 5,000 | 787 |
| 5,001 to 10,000 | 432 |
| 10,001 to 100,000 | 714 |
| 100,001 and over | 149 |
| | 3,197 |
| Holding less than a marketable parcel | 1,539 |

## Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % total shares issued |
| National Nominees Limited | 22,550,408 | 10.89 |
| Rubi Holdings Pty Ltd (John Rubino S/F A/C) | 18,729,327 | 9.04 |
| BNP Paribas Noms Pty Ltd (Drp) | 14,239,724 | 6.87 |
| CVC Limited | 13,559,495 | 6.55 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 10,397,936 | 5.02 |
| BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient Drp) | 9,311,387 | 4.49 |
| Sieana Pty Ltd | 8,429,010 | 4.07 |
| Citicorp Nominees Pty Limited | 6,560,568 | 3.17 |
| Beer Family Holdings Pty Ltd (Beer Family A/C) | 4,650,000 | 2.24 |
| BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp | 4,588,899 | 2.22 |
| Vermilion 21 Pty Ltd (The Mcnelhaus Super Fund A/C) | 4,498,120 | 2.17 |
| Ben Evans Pty Ltd (The Evans Family A/C) | 4,285,714 | 2.07 |
| Gisborne Park Pty Ltd | 4,203,846 | 2.03 |
| Buduva Pty Ltd (Baskerville Super Fund A/C) | 2,580,899 | 1.25 |
| Fifty Second Celebration Pty Ltd (McBain Family A/C) | 2,184,916 | 1.05 |
| Bungeeltap Pty Ltd (H & B Robertson S/F A/C) | 2,129,586 | 1.03 |
| Mr Martin John Holtman | 2,000,001 | 0.97 |
| Mr Shane Paul Bradley & Ajo Trustee Company Limited & (Bradley Investment A/C) | 1,600,000 | 0.77 |
| Giovanni Nominees Pty Ltd (Giovanni Family Fund A/C) | 1,430,770 | 0.69 |
| HSBC Custody Nominees (Australia) Limited | 1,357,948 | 0.66 |
| | 139,288,554 | 67.25 |

## Substantial holders

The Company has received the following substantial Shareholder notices:

| | Ordinary shares | |
|---|---|---|
| | Number held | % total shares issued |
| IOOF Holdings Limited | 29,878,489 | 14.42 |
| Rubi Holdings Pty Ltd | 20,160,097 | 9.73 |
| CVC Limited | 13,717,519 | 6.62 |

## Voting rights

The voting rights attached to ordinary shares are set out below:

*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.

Options do not carry voting rights.

## Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|---|---|---|
| Fully paid ordinary shares | 1 August 2020 | 2,142,857 |
| Fully paid ordinary shares | 15 April 2021 | 4,650,000 |
| Fully paid ordinary shares | 15 April 2021 | 350,000 |
| | | 7,142,857 |

# 2019 CORPORATE GOVERNANCE STATEMENT

The Board of Longtable Group Limited (the **Company** or **Group**) is responsible for the overall corporate governance of the Group. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (Recommendations) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which ones and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which Longtable Group Limited has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website www.longtablegroup.com, including the 2019 Annual Report.

This Statement is current as at 30 June 2019 and has been approved by the Board of Directors of the Company.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Recommendation 1.1 - Role of the Board and Management

The role of the Board is to provide overall strategic guidance and effective oversight of management.

The Board has a formal Board Charter which is available on our website at www.longtablegroup.com.

The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' conflicts of interest and information, details of the Board's relationship with management, details of the Board's performance review and details of the Group's Codes of Conduct.

The Board delegates responsibility for the day-to-day management of the Company and its business to the Managing Director (**MD**). The MD is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities. The Board maintains ultimate responsibility for strategy, control and risk profile of the Group.

### Recommendation 1.2: Appointment of Directors

The Company undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election or re-election, as a Director.

We provide our shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director. The information is provided to shareholders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.

## Recommendation 1.3: Appointment Terms

Each director and senior executive is party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.

## Recommendation 1.4: Company Secretary

The Board is supported by the Company Secretary, whose role includes supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior executives across the Group. The Board and individual Directors have access to the Company Secretary.

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

The Board is responsible for the appointment of the Company Secretary.

## Recommendation 1.5: Diversity Policy

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected. The Company has implemented a Diversity Policy which can be viewed at www.longtablegroup.com. The Diversity Policy provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives (if any have been set) and the Company's progress in achieving them.

The Diversity Policy is available on the Company's website at www.longtablegroup.com.

The measurable objectives in FY19 include:

- increasing the representation of women on the Board as vacancies and circumstances allow. As of 30 June 2019 the representation of women on the Board increased from 25% to 40%.
- strengthen the talent pipeline to ensure the representation of women in senior management positions. As of 30 June 2019 the representation of women in senior management roles is 50%.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 30 June 2019 was as follows:

- Women on the Board – 40%
- Women in senior executive positions – 50%
- Women across the entire organisation – 49%

The Board is committed to appointing the best person into any position in the Company, whilst simultaneously taking steps to provide supporting infrastructure for diversity and bringing open-minded approach to the skills and experience required for each role.

The Company was not a "relevant employer" under the Workplace Gender Equality Act 2012 during the financial year ended 30 June 2019 as it is not a non-public sector employer with 100 or more employees in Australia for any six months or more of a reporting period.

### Recommendation 1.6: Board Performance Assessment

The Board is committed to formally evaluating its performance, the performance of its committees (if applicable) and individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each director, facilitated by the Company Secretary;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

A Board performance assessment took place during FY2019.

### Recommendation 1.7: Senior Executive Performance Assessment

Senior Executives are appointed by the MD and their Key Performance Indicators (KPI's) contain specific financial and non-financial objectives.

These KPI's are reviewed annually by the MD. The performance of each Senior Executive against these objectives is evaluated annually.

A performance evaluation was carried out during the year.

## PRINCIPLE 2 – BOARD STRUCTURE

### Recommendation 2.1: Nomination Committee

The Board has established a Nomination & Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of Directors and for the operation of the Board.

The Committee has three members, all of which are independent and comprises of:

- Hugh Robertson – Independent Chairman
- Antony Robinson – Independent Member
- Tom Kiing – Independent Member

The Nomination & Remuneration Committee Charter is available on the Company's website at www.longtablegroup.com.

The number of meetings held and attended by the Nomination & Remuneration Committee during the financial year ended 30 June 2019 were as follows:

| | Attended | Held |
|---|---|---|
| Hugh Robertson | 1 | 2 |
| Antony Robinson | 2 | 2 |
| Tom Kiing | 2 | 2 |

### Recommendation 2.2: Board 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 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<br>Ability to think strategically and identify and critically assess strategic opportunities and threats and challenge the options in the context of the strategic objectives of the Company. | Yes | Yes | Yes |
| Financial Acumen<br>Senior experience in public company financial accounting, management and reporting | Yes | Yes | Yes |
| Health and Safety<br>Experience in workplace health and safety | Yes | Yes | Yes |
| Risk and Compliance Oversight<br>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. | Yes | Yes | Yes |
| Corporate Governance Knowledge & experience in best practice corporate governance structures, policies and processes. | Yes | Yes | Yes |
| Executive Management<br>Experience at an executive level in a successful career. | Yes | Yes | Yes |
| Marketing / Sales Experience<br>A broad range of commercial / business experience, in specific areas including marketing, sales, branding and business systems, export and innovation. | Yes | Yes | Yes |
| Operational and Supply Chain Experience<br>Manufacturing, Operations and Supply Chain management experience across multiple operations nationally and/or internationally. | Yes | Yes | Yes |
| FMCG Experience<br>Business experience specifically in fast moving consumer goods businesses. | Yes | Yes | Yes |

The Managing Director brings a deep understanding of the Company's business and operations as well as the industry in which the Company operates.

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 Company's purpose;
- 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.

## Recommendation 2.3: Independent Directors

An independent Director is a Non-Executive Director who:

- is not a member of management;
- is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement;
- meets the criteria for independence set out in Box 2.3 of the Corporate Governance Principles and 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 Company

'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.

The Board has three independent Directors, Antony Robinson (Non-Executive Chairman), Tom Kiing (Non-executive Director) and Hugh Robertson (Non-Executive Director).

Maggie Beer is not considered to be independent on the basis that she has been employed in an executive capacity by one of the Company's subsidiaries, Maggie Beer Products Pty Ltd, and there has not been a period of at least three years between ceasing such employment and serving on the Board.

Laura McBain is not considered to be independent on the basis that she has been engaged in an executive management role with the Company.

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

| Name | Length of Service |
|---|---|
| Laura McBain | 1 year and 10 months. |
| Tom Kiing | 10 years and 11 months. |
| Tony Robinson | 3 years and 8 months. |
| Hugh Robertson | 3 years and 8 months. |
| Maggie Beer | 2 months. |

## Recommendation 2.4: Majority Independence

As at the date of this Statement, three of the five Directors are deemed independent and the Company does have a majority of independent directors.

## Recommendation 2.5: Board Chair

The Chair, Antony Robinson, was appointed to the position on 26 October 2015 and is considered an independent Director.

The roles of Chair and MD are exercised by different individuals, being Antony Robinson and Laura McBain, respectively.

## Recommendation 2.6: Induction, Education and Training

In accordance with the Company's Nomination & Remuneration Committee Charter, the Nomination & Remuneration Committee is responsible for establishing and reviewing induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

Directors are also encouraged to personally undertake appropriate training and refresher courses, as appropriate, to maintain the skills required to discharge their obligations to the Company.

## PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

### Recommendation 3.1: Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct for Directors and Senior Executives designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- support the Company's business reputation and corporate image; and
- make Directors' and senior executives aware of the consequences if they breach the Code of Conduct for Directors and Senior Executives

The Code of Conduct for Directors and Senior Executives can be found on our website at www.longtablegroup.com.

The key aspects of this code are to:

- act fairly with honesty and integrity in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, and the Company policies and procedures; and
- act in an appropriate business-like manner when representing the Company in public forums.

The Code of Conduct for Directors and Senior Executives sets out the Company's policies on various matters including integrity, conflicts of interest, confidentiality and protection and proper use of assets.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### Recommendation 4.1: Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Committee comprises of three members, all of whom are independent non-executive directors. The Chair of the Committee is independent and is not the Chair of the Board. The Audit Committee membership is provided below:

- Tom Kiing – Independent Chairman
- Antony Robinson - Independent Member
- Hugh Robertson – Independent Member

The Audit Committee Charter is available on the Company's website at www.longtablegroup.com.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

### Recommendation 4.2: Assurances

The MD and Chief Financial Officer (**CFO**) provide a declaration to the Board prior to the Board's approval of the Company's financial results for the financial period. This process was followed for the 2019 half year and full year financial results, where the MD and CFO provided a declaration to the Board that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### Recommendation 4.3: External Auditor

Pricewaterhouse Coopers (**PwC**) was appointed auditor of the Company at the Company's Annual General Meeting held on 28 November 2018. The Company's previous auditor was Deloitte Touche Tohmatsu **(Deloitte)**. Deloitte was present at the 2018 AGM and was available to answer questions from security holders relevant to the 2018 audit.

PwC will attend our 2019 AGM and a representative will be available to answer shareholder questions about the conduct of the 2019 audit and the preparation and content of the auditor's report.

PwC's independence declaration is contained in the Directors' Report in our 2019 Annual Report.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1: Continuous Disclosure Policy

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act 2001.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy, which is available on our website at www.longtablegroup.com.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

### Recommendation 6.1: Information and Governance

Information about the Company and its corporate governance policies is available on our website at www.longtablegroup.com.

The Company discloses information on our website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

### Recommendation 6.2: Investor Relations

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions. The Company has a program approved by the Board with respect to investor relations.

The Company has adopted a Shareholder Communications Policy (**Policy**) which aims to promote and facilitate effective two-way communication with investors. The Policy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website www.longtablegroup.com.

### Recommendation 6.3: Shareholder Meeting Participation

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each General Meeting, being the notice of meeting, any explanatory memorandum and a proxy form. The Board encourages full participation at security holder meetings.

The Board regards each General Meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

Further information is included in the Company's Shareholder Communications Policy, which is located on the Company's website at www.longtablegroup.com.

### Recommendation 6.4: Electronic Communication with Shareholders

The Shareholder Communication Policy provides that security holders are given the option to receive communication from, and send communications to, the Company and its share registry, Computershare, electronically. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.

Shareholder queries should be referred to the Company Secretary at first instance.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Recommendation 7.1: Risk Committee

The Audit Committee has delegated responsibilities in relation to risk management as set out in the Audit Committee Charter. Its role includes assisting the Board to:

(a) Review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and

(b) Reviewing compliance with relevant laws and regulations.

At the date of this report the Audit Committee comprises of three members, all of whom are independent directors and the Chair of the Committee is not the Chair of the Board. The members of the Audit Committee are:

- Tom Kiing –Independent Chairman
- Antony Robinson - Independent Member
- Hugh Robertson – Independent Member

The Audit Committee Charter is available on the Company's website at www.longtablegroup.com.

Details of meetings held by the Audit Committee during the year and member attendances are set out in the 2019 Directors' Report.

### Recommendation 7.2: Risk Management Framework

The Group's risk management framework is supported by the Board of directors, management team and the Audit Committee. The Board is responsible for approving and review the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

A review of the entity's risk management framework was carried out during the financial year ended 30 June 2019.

### Recommendation 7.3: Internal Audit

The Audit Committee Charter provides for the Audit Committee to monitor the need for an internal audit function.

The Company did not have an internal audit function for the past financial year. Due to the size of the Company, the Board does not consider it necessary to have an internal audit function.

The Company will employ the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

(i) the Audit Committee will monitor the need for an internal audit function having regard to the size, location and complexity of the Company's operations; and

(ii) the Audit Committee will periodically undertake an internal review of financial systems and processes, and where systems are considered to require improvement, these systems are developed.

### Recommendation 7.4: Economic, Environmental and Social Sustainability Risk

The Company now has material exposure to environmental and social sustainability risks following the acquisition of the company's new businesses during the year. The Company is currently in a transformational period and will continue to review its economic, environmental and social sustainability risks over the coming reporting periods and report against those risks.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY

### Recommendation 8.1: Remuneration Committee

The Board has established a Nomination & Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Nomination & Remuneration Committee has guidelines for the nomination and selection of directors and for the operation of the Board. The Nomination & Remuneration Committee comprises of three members, the majority of whom are independent directors as follows:

- Tom Kiing –Independent Chairman
- Antony Robinson - Independent Member
- Hugh Robertson – Independent Member

The Nomination & Remuneration Committee Charter is available on the Company's website at www.longtablegroup.com.

The number of meetings held and attended by the Nomination & Remuneration Committee during the financial year ended 30 June 2019 were as follows:

| | Attended | Held |
|---|---|---|
| Hugh Robertson | 1 | 2 |
| Antony Robinson | 2 | 2 |
| Tom Kiing | 2 | 2 |

### Recommendation 8.2: Remuneration Policies and Practices

Details of the Company's remuneration practices for its Directors and senior executives are disclosed in the Remuneration Report in the Company's Annual Report.

Separate disclosure regarding the remuneration of the Company's directors (executive and non-executive) is disclosed in the Company's Annual report, as lodged with the ASX and issued to shareholders.

### Recommendation 8.3: Equity Based Remuneration Scheme

The Company had an Employee Share Plan (ESP) and Employee Option Plan (EOP) during the financial year. The Company's Share Trading Policy provides details of whether participants can enter into transactions which limit the economic risk of participating in the ESP and EOP. The Share Trading Policy is available on the Company's website at www.longtablegroup.com.

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