# LONGTABLE GROUP LIMITED

ANNUAL REPORT
30 JUNE 2018

(previously Primary Opinion Limited)
ABN 69 092 817 171

LONGTABLE GROUP

SHARE OUR PASSION FOR INVESTING IN THE FUTURE OF FOOD AND CULTURE

LONGTABLE GROUP

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ANNUAL REPORT
30 JUNE 2018

# CONTENTS

# CORPORATE DIRECTORY

| | |
|---|---|
| **Directors** | Mr. Tony Robinson (Non-executive Chairman)<br>Mr. Tom Kiing (Non-executive Director)<br>Mr. Hugh Robertson (Non-executive Director)<br>Ms. Laura McBain (Managing Director) |
| **Company secretaries** | Ms Melanie Leydin<br>Mr Justin Mouchacca |
| **Registered office** | Level 4, 100 Albert Road<br>South Melbourne VIC 3205<br>Tel: +61 3 9692 7222<br>Fax: +61 3 9077 9233 |
| **Principal place of business** | Level 4, 100 Albert Road<br>South Melbourne VIC 3205<br>Tel: +61 3 9692 7222<br>Fax: +61 3 9077 9233 |
| **Share register** | Computershare Investor Services Pty Limited<br>GPO Box 2975<br>Melbourne VIC 3001<br>Tel: +61 3 9415 5000<br>Fax: +61 3 9473 2500 |
| **Auditor** | Deloitte Touche Tohmatsu<br>550 Bourke Street<br>Melbourne Victoria 3000 |
| **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/ |

# LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dear Shareholders

It is with great pleasure that we present to you our full year financial results, reflecting a year of real change for the Longtable Group as it transforms from a single investment asset to a comprehensive food and beverage business with multiple brands.

Since our report in FY17, we have grown from an executive team of one, to a robust executive team capable of delivering growth through innovation, focus and proactivity.

Together, the team and the board have worked hard to identify businesses that will complement our strategic mission. We have acquired two highly attractive, strategically compelling businesses that will deliver strong growth opportunities. These were B.d Farm Paris Creek Pty Ltd ("Paris Creek Farms"), acquired in late December 2017 and St David Dairy Pty Ltd ("St David Dairy") which was completed on 1 August 2018.

The results for the year reflect these very early stages of transforming the Paris Creek Farms business to a sophisticated brand, the ongoing transformation of Maggie Beer Products and the corporate costs associated with the acquisitions and building the group structure.

Therefore, our statutory financial results do not represent the underlying business earnings which we will see from next financial year and beyond. In combination, we recorded a normalised EBITDA loss of $3.08m and a statutory NPAT loss of $6.67m.

We are supported by a solid balance sheet with net assets of $63.5m, including cash balances of $14.8m. After the acquisition of St David Dairy, our cash balances are around $6.5m. The board and executive are confident that this strongly underpins our current business trajectory and provides for our organic growth.

During the last six months at Paris Creek Farms, we have focused on capturing the opportunities from improving the operating framework, including building the team, capturing value from our highly unique organic-biodynamic milk supply and developing our plan for delivering operational efficiencies from our facilities.

In particular, we see continued support from our farmers, facilitated by the founders of Paris Creek Farms, Helmut and Ulli Spranz, who continue to work with existing farmers to improve their volumes and identify, recruit and develop new biodynamic farms. We remain on track to reach our anticipated milk volumes toward 30 million litres over the next 4-5 years. We take this opportunity to thank our farmers for their enormous contribution, passion and commitment to the principles of biodynamic. We firmly believe it's their continued holistic natural farming methods that deliver some of the best dairy products in Australia.

To maximise the brand opportunity, we have focused on capturing the value for this unique brand proposition from our products and distribution.

Over the next few months, we will relaunch the Paris Creek Farms brand, with a suite of new cheese and yogurt products, rebranded existing products and a new look milk range. These initiatives have been designed to deliver a premium consumer experience and a strong brand position in the Australian supermarkets, thereby capturing the true value of the organic-biodynamic milk supply. We have received strong support for this launch from a broad range of Australian retailers and have achieved an extraordinary transformation in a short period. We look forward to sharing the results of these initiatives over the next 6 months.

Longer term, we see the Paris Creek Farms brand building its credentials in the dairy cabinet and creating strong brand awareness with consumers. This will pave the way for ongoing growth, starting with exploring the opportunities for Australia's first biodynamic milk powders.

Similarly, Maggie Beer has been progressing a program of transformational change. Its powerful brand positioning is highly regarded by consumers across Australia and will underpin its future growth opportunities. Recently, a number of product launches including a range of stocks, crackers and desserts demonstrate how the brand values can connect to its consumer base. There has been a deep focus on managing costs and these initiatives have had an impact from 1 July 2018. Recent results demonstrate some promising early signs, and we look forward to seeing its continued improved trajectory.

Recently, we completed the acquisition of St David Dairy. This new asset complements our existing dairy business providing opportunities to leverage operating capacity, in-conversion milk and distribution opportunities. Already we are seeing positive internal management results and as a guide, distribution has already increased by 30% over the last 7 months. As the business already delivers solid earnings, we are buoyed by the ongoing opportunities this brand represents.

To grow the brands under our portfolio, a key focus is to build brand momentum, awareness and penetration. This will take the form of carefully planned and executed marketing strategies, product positions and new product launches that best reflect the brand attributes and allow them to grow and flourish. Costs in relation to marketing will be carefully matched to revenue and distribution growth. Particularly in relation to each brand we will focus on:

- Paris Creek Farms - expanding on consumers understanding of organic to biodynamic and its core propositions of holistic farming and the finest cheeses, yogurts and milks. Activating social media campaigns and word of mouth through various marketing activities planned in our SA and Eastern Seaboard markets.
- St David Dairy - delivering a unique, single source milk perfect for cafes, restaurants and premium food outlets. Quality and customer service are key deliverables that will drive continued word of mouth.

FY19 will be a pivotal year for Longtable as we start to deliver the results from all the hard work put in over the past seven months.

We thank you for your support and we look forward to continuing to build our premium, world class food and beverage brands that deliver real growth to our shareholders.

Best wishes

Laura McBain
Managing Director

Tony Robinson
Non-executive Chairman

30 August 2018

# OPERATIONS REPORT

## FINANCIAL PERFORMANCE

The Group's statutory financial results for the 12 months ended 30 June 2018 (FY18) reflect a period of transformational change, and as a result do not represent the true performance of the underlying businesses.

The Group achieved revenue of $8.61 million, reflecting Paris Creek Farm's net sales achieved since 22 December 2017, which was the date Longtable acquired that business. The Group incurred a loss after tax of $6.67 million (FY17 loss: $10.29 million) due to:

- the transition of Paris Creek Farms to a sophisticated corporate business model;
- corporate costs associated with acquisitions and building group structure; and
- the restructure of the Maggie Beer Products investment.

## REVENUE AND COSTS

Paris Creek Farm's sales performance for FY18 incorporated a temporary shift towards lower price point customer channels, coupled with the temporary deranging of some SKUs, in readiness for the renewed product launch. This adversely impacted volume and gross margin in FY18 but does not reflect the business' potential going forward. Product category mix remained consistent, with milk at 59% of sales, yogurt at 17%, cheese at 9%, with the balance in the other categories.

Paris Creek Farm's most valuable resource, biodynamic organic milk, has consistently increased over time, increasing by approximately 8% compared to 2H FY17 volume, at 5.1 million litres. Milk purchases for FY18 were 10% higher at 10.9 million litres compared to FY17, at largely the same cost of approximately $0.65 (65 cents) per litre. There are 10 farmer suppliers in the network.

Sales were impacted by an ongoing commitment to private label sales at lower that average branded prices. Also, we balanced our stock levels and replenished cheese to facilitate continuous cheese sales in future periods.

Costs overall at Paris Creek Farms increased by approximately 10% or $0.34 million over the second half of FY18 (compared to the second half of FY17) due to:

- cost increases in electricity and gas charges;
- maintenance costs associated with moving to a preventative maintenance regime; and
- additional sales staff to drive sales; and customer service and administration staff to replace former owners and internal promotions to leadership roles.

In line with historic brand initiatives under the previous ownership, there was limited spend in Advertising and Marketing initiatives as the product range and brand was relaunched. It is expected that marketing costs will increase from FY19 in order to build and reinforce Paris Creek Farm's unique product and brand, and that this investment will be carefully matched against revenue and distribution growth.

Group corporate costs increased as the right group structure was put in place to support sustainable growth going forward. Key executives were appointed to drive and execute the Group's strategic initiatives, with employee benefits expense increasing to $0.89 million

(FY17: $0.14 million). This, together with corporate overhead and administration costs of $1.14 million (FY17: $0.30 million) contributed to the overall financial loss as the platform was put in place to deliver on the growth opportunities the Board sees for the Group.

A total of $4.10 million of costs in FY18 were ''one-off' in nature. They include costs associated with acquisitions of $1.35 million, employee share-based payment adjustment of $1.97 million and Paris Creek Farm's normalisation adjustments of $0.8 million – costs associated with the previous vendors (consulting fees), stock write-offs, provision for doubtful debts and true-up cost related to employee provisions post acquisition.

Maggie Beer Products progressed its program of transformational change and incurred a loss after tax of $1.23 million (FY17 loss: $2.13m). The Group's equity accounted share of this loss is $0.59 million (FY17 loss: $1.02 million). After a capital upgrade of equipment ("kitchens"), there has been a deep focus on managing costs, which led to a restructure of the business. These initiatives will have a positive impact in FY19.

The associated normalisation costs of $0.5 million include redundancies, office closure costs and a write-off of old and obsolete stock.

It should be noted that impairment testing was completed for the business, which resulted in no impairment charge for the period (FY17 impairment: $8.48 million) due to the positive projected cashflows over the next five years, underpinned by the recent capital investment, restructure and product launches.

## SUPPORTIVE BALANCE SHEET

The Group is supported by a balance sheet with net assets of $63.53 million, including a cash balance of $14.78 million. The cash balance in June includes the proceeds of the capital raising associated with the acquisition of St David Dairy.

The current cash position of approximately $6.5 million (post St David Dairy completion) places the Group in a strong position to progress its strategic and operational initiatives.

St David Dairy is expected to contribute positively to the Group's cash position in FY19.

Paris Creek Farms is not forecast to undertake any major capital investment in FY19, except where opportunities are identified for significant new product launches aligned with brand credentials. The estimated spend is expected to be on par with depreciation in FY19.

Inventory at 30 June 2018 was $1.34 million, all related to Paris Creek Farms, being 7.6% of sales. The stock is mainly attributed to the cheese investment that is expected to be sold over FY19. Overall working capital for the business is as approximately 10% of sales, and is expected to be in this range for FY19.

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.

During FY18 the Group commenced its progress on this strategic pathway with the acquisition of two strategic growth opportunities with Paris Creek Farms and St David Dairy (completed 1 August 2018).

Growth from these businesses is expected to continue from organic opportunities in products and distribution.

There are also synergistic opportunities across the Group, sharing resources in new product development, distribution, sales, logistics and manufacturing. The Group has already commenced activating some of these opportunities and this will continue into FY19.

Management believe the opportunities in all the brands across the Group can deliver strong growth opportunities for shareholders.

## OUTLOOK

The Group anticipates that FY19 will demonstrate the opportunities for long term growth of the two high quality businesses it has acquired.

The growth opportunities primarily come from the distribution plans for all the brands across both their home territories and new markets in major capital cities.

For Paris Creek Farms, this is being executed through a process of resetting prices, new product launches and new brand look. The core fundamentals of this process have been undertaken with the results staged from the second quarter of FY19. Supporting this is the continuation of the growth of organic-biodynamic milk supply and capturing operational efficiencies at the factory site.

For St David Dairy, the most recent acquisition, extending its footprint as a beach-head into Sydney will be pursued, 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.

Already the Group has established a versatile, dynamic and highly skilled team of FMCG executives. The diverse skill range that is brought to Longtable by this team ensures the Company is well positioned to quickly activate opportunities and bring innovation both small and large to the organisation.

With our supportive balance sheet and our strong premium brands the Group considers that it is well placed to deliver organic growth from its existing portfolio.

# 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. |

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.

# DIRECTORS' REPORT

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 (previously Primary Opinion 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 2018.

## DIRECTORS

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

Mr. Tony Robinson
(Non-executive Chairman)

Mr. Tom Kiing
(Non-executive Director)

Mr. Hugh Robertson
(Non-executive Director)

Ms. Laura McBain
(Managing Director
- appointed 8 August 2017)

## PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity consisted of:

- expanding its activities to the food and beverage industry with a particular focus on premium products;
- managing its investment in Maggie Beer Products Pty Ltd ("MBP"); and
- completing the acquisition of B.-d Farm Paris Creek Pty Ltd ("Paris Creek Farms").

## 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 $6.67 million (30 June 2017: $10.29 million).

### Financial Position

The net assets of the consolidated entity increased by $54 million to $63.53 million (30 June 2017 $9.44 million). The increase during the year was due to the acquisition of B.-d Farms Paris Creek Pty Ltd, which resulted in $27.26 million of goodwill, and $60.07 million of share capital issued during the year, net of transaction costs.

### Operating results for the year

The consolidated entity reported a net loss after tax of $6.67 million for the financial year, which was a decrease of $3.62 million from the previous corresponding period (2017: loss of $10.29 million). The decrease in net loss is mainly due to accounting for the Company's share of losses of Maggie Beer Products Pty Ltd, amounting to $1.02 million and impairment of its investment of $8.48 million during the prior period.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 8 August 2017, the Company announced the appointment of Laura McBain as its new Managing Director. The Company agreed a Share Placement to Ms McBain of 35 million fully paid ordinary shares (pre-consolidation) at an issue price of $0.018 (1.8 cents) per share and a grant of 70 million unlisted options (pre-consolidation) exercisable at $0.02 (2 cents) per option within 4 years of grant date. The Company also agreed a further Share Placement of 35 million fully paid ordinary shares (pre-consolidation) at an issue price of $0.018 (1.8 cents) per share, upon receipt of shareholder approval.

On 13 October 2017, the Company issued 70 million unlisted options (pre-consolidation) to Laura McBain. The option exercise price is $0.02 (2 cents) per option, exercisable on or before 13 October 2021 and $0.57 million has been recorded as the fair value of the options issued during the half year. The Company also issued 35 million fully paid ordinary shares (pre-consolidation) to Ms McBain for cash consideration of $0.63 million, which were recorded at the fair value of consideration received, being $0.018 (1.8 cents) per share.

On 16 November 2017, the Company announced that they have signed an agreement to purchase 100% of B.-d Farm Paris Creek Pty Ltd ("Paris Creek Farms"), one of Australia's finest organic bio-dynamic dairy food and beverage business, for an equity price of $34 million.

On 20 November 2017, the Company received binding commitments from professional and sophisticated investors for an underwritten equity placement of $43 million by way of up to 1,433.3 million fully paid ordinary shares (pre-consolidation) at an issue price of $0.03 (3 cents) per share.

On 24 November 2017, the Company announced that it had changed its name from Primary Opinion Limited to Longtable Group Limited, following shareholder approval sought at the Company's Annual General Meeting held on 21 November 2017.

On 22 December 2017, the Company completed the placement of 1,433 million fully paid ordinary shares (pre-consolidation) at an issue price of $0.03 (3 cents) per share, raising approximately $43 million before costs.

On 22 December 2017, the Company completed the acquisition of Paris Creek Farms, the consideration for the acquisition of Paris Creek totalled $35.383 million, paid as $30.5 million in cash and 116.7 million shares issued at deemed issue price of $0.03 (3 cents) ($3.5 million) to the vendor and their nominees, with the shares escrowed for 6 months from the date of issue. The fair value of the shares issued on the date approved by shareholder resulted in an increase in value of $1.17 million. In addition, there was $0.22 million of stamp duty paid to the South Australian Department of Treasury and Finance.

On 9 March 2018 the Company consolidated its shares on a 25 for 1 basis.

On 21 June 2018 the Company announced that they had signed an agreement to purchase 100% of St David Dairy Pty Ltd, Melbourne's only super premium inner-city dairy business, for an equity price of $15.25 million.

On 21 June 2018 the Company received binding commitments from professional and sophisticated investors for an underwritten equity placement of $15 million by way of up to 21.4 million fully paid ordinary shares (post-consolidation) at an issue price of $0.70 (70 cents) per share. The equity placement was to be completed through a two-tranche placement.

On 29 June 2018 the company issued tranche one of the two-tranche placement, being 14.29 million fully paid ordinary shares (post-consolidation), at an issue price of $0.70 (70 cents), raising $10 million before costs.

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

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 (post-consolidation) 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 $3 million in shares issued at $0.70 to the vendor. The shares will be 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.

No other matter or circumstance has arisen since 30 June 2018 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

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## ENVIRONMENTAL REGULATION

The Group's operations are subject to environmental legislation and regulations and to conditions imposed by the Environmental Protection Authority (EPA), including with respect to its manufacturing facilities. The Group has environment policies and practices designed to ensure compliance with all environmental laws and licence conditions. In addition, Paris Creek Farm's Environmental Improvement Plan (EIP) pro-actively addresses its environmental impact and the Group consults with the EPA to ensure there are appropriate measures in place to mitigate any concerns. From time to time, matters of non-compliance are identified and corrected. Where required, the appropriate regulatory authority is notified.

During the financial year under review, the Group did not meet certain compliance dates for required action under its EIP. The Group has subsequently completed or is working towards completion of the required compliance actions as soon as possible.

The Group will continue to invest in environmental initiatives within its businesses. The Group remains focussed on reducing the environmental impact of its manufacturing sites and remains diligent in the efficient and effective use of its resources.

# INFORMATION ON DIRECTORS

**Tony Robinson**
**Non-executive Chairman**

Experience and expertise:
Mr Tony Robinson has significant experience in wealth management and insurance, including as CEO of Centre Point Alliance, IOOF and OAMPS. His other previous management positions include joint managing director of Falkiners Stockbroking, managing director of WealthPoint, Chief Financial Officer of Link Telecommunications and General Manager corporate services at Mayne Nickless. Tony Robinson is a Director of the Bendigo and Adelaide Bank and also a Director of their wealth management subsidiary, Sandhurst Trustees Ltd.

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:
Member of the Audit Committee and a member of the Remuneration and Nomination Committee

Interests in shares:
830,000 fully paid ordinary shares

Interests in options:
None

**Tom Kiing**
**Non-executive Director**

Experience and expertise:
Board member since July 2008, Mr Kiing is also a director of Bridge Capital Pty Ltd, an Australian technology investment firm that manages a portfolio of investments in the IT sector. He also sits on the Board of: The Atomic Group, an integrated sports and entertainment company in Australia. Mr Kiing is also the founder of Tarazz.com.au Australia's largest online mall, an Australian based ecommerce portal. Mr Kiing has extensive experience as a technology executive in building and growing businesses in the digital arena. Mr Kiing also has broad experience in mergers and acquisitions, capital markets and corporate finance. He travels extensively through the ASEAN region to promote a wide range of Australian investment opportunities to Asian institutions and private investors. Mr Kiing is a member of the Remuneration and Audit Committees.

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:
4,371,719 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 30 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 and he currently sits on the board of Centrepoint Alliance Limited.

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:
1,407,693 fully paid up ordinary shares

Interests in options:
None

**Laura McBain**
**Managing Director**

(appointed 8 August 2017)

Experience and expertise:
Ms McBain was formerly the Managing Director and CEO of Bellamy's Australia Ltd from 2014 to 2017. Prior to joining Bellamy's, Ms McBain practised as an accountant specialising in the area of providing business advisory and taxation services.

She holds a Bachelor of Commerce and in 2013 completed the IMD Leadership Challenge. In 2013, Ms McBain was named the Telstra Tasmanian Business Woman of the Year and she went on to be name 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:
2,973,334 fully paid up ordinary shares

Interests in options:
2,800,000 (unlisted options)

'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.

## COMPANY SECRETARIES

### Ms Melanie Leydin

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

### Mr Justin Mouchacca

Mr Mouchacca holds a Bachelor of Business majoring in Accounting. Justin became a Chartered Accountant in 2011 and since July 2013 has been a principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd, specialising in outsourced company secretarial and financial duties. Justin has over 11 years' experience in the accounting profession including 5 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange.

## MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| Tony Robinson | 12 | 12 | 2 | 2 |
| Tom Kiing | 12 | 12 | 2 | 2 |
| Hugh Robertson | 12 | 12 | 2 | 2 |
| Laura McBain | 11 | 11 | 2 | 2 |

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 Board of Longtable is committed to ensuring that our remuneration practices and policies drives a culture of performance and ensures executives are rewarded for the delivery of results and the achievement of Longtable's short-term financial objectives and long-term business strategy and ultimately delivering value for our shareholders.

This report outlines the remuneration framework and outcomes of Longtable, for key management personnel (KMP) for the year ended 30 June 2018. It also enables our investors to understand:

- The costs and benefits associated with Longtable's remuneration practices and policies; and
- The link between Longtable's performance and the remuneration paid to the MD and KMP executives.

The disclosures in this report have been prepared in compliance with section 300A of the *Corporations Act 2001 (Cth)*.

The Report is divided into the following sections:

1. Key Management Personnel
2. Remuneration Governance
3. Remuneration principle, strategy and outcomes
4. Executive contracts
5. Non-executive director's remuneration
6. Remuneration tables - Directors and KMP executives

**KEY MANAGEMENT PERSONNEL**

The term key management personnel (KMP) refers to those persons having the authority and responsibility for planning, directing, controlling the actives of the Consolidated entity (Group), directly or indirectly and includes any director of the Group (whether executive or otherwise).

The KMP for Longtable for the year ended 30 June 2018 were:

| Current Non-executive Directors | Role | Appointment Date |
|---|---|---|
| Tony Robinson | Chair | 26 October 2015 |
| Hugh Robertson | Non-Executive Director | 26 October 2015 |
| Tom Kiing | Non-Executive Director | 29 July 2008 |

| Current KMP executives | Role | Appointment Date |
|---|---|---|
| Laura McBain | Managing Director | 8 August 2017 |
| Michael Caragounis | Chief Financial Officer | 2 February 2018 |

# REMUNERATION GOVERNANCE

## ROLE OF REMUNERATION AND NOMINATION COMMITTEE

The role of the Nomination and Remuneration Committees is to ensure the company:

a. has a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

b. Has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders

c. Observes those remuneration policies and practices; and

d. Fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general remuneration environment.

The Nomination and Remuneration Committee has a Charter which outlines the terms of reference under which it operates. It is available online at www.longtablegroup.com

## ENGAGEMENT OF REMUNERATION CONSULTANTS

No external specialist remuneration advice has been sought in respect of remuneration arrangements for non-executive directors of KMP of the group during the year. General advice is sought on an ad hoc basis.

# REMUNERATION PRINCIPLES, STRATEGY AND OUTCOMES

## REMUNERATION PRINCIPLES

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 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.

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

## EXECUTIVE REMUNERATION STRUCTURE

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has not fixed and variable components. Given the company has only recently employed an executive team, this structure will be fully implemented in FY19 with the FY18 structure incorporating only the TFR and STI elements of the below table:

| Component | Remuneration Approach and Performance Link |
|---|---|
| Total Fixed Remuneration (TFR)<br>• salary<br>• statutory superannuation | Executive TFR levels are market aligned by comparison to similar roles in ASX-listed companies that have comparable market capitalisation, revenues and financial metrics relevant to the executives role, knowledge, skills, experience and individual performance.<br>This ensures that Longtable attracts, motivates, and retains top talent executives to ensure they can deliver of the strategy and performance of the Group. |
| Short Term Incentive (STI)<br>• annual incentive opportunity delivered in cash | The STI plan is designed to encourage and reward high-performance and for this reason it places a proportion of the executives remuneration at-risk against targets linked to the Company's annual performance objectives. This supports the alignment between the interests of the executive, the Group and our shareholders.<br>The Longtable STI plan rewards the Managing Director and executives reporting to her (including the KMP executives) for performance against a pre-determined scorecard of measures linked to the Group's short term business performance (12 months) and individual performance.<br>Performance measures may vary from year to year depending on the business's objectives and are chosen on the basis that they will increase financial performance, market share and shareholder returns.<br>A combination of financial and non-financial measures are used to ensure a balance between short term financial measures and more strategic non-financial measures which in the medium to longer term will support the growth of the Group.<br>Relative weighting of the individual executive's STI are set according to the scope of the executives roles. |
| Long Term incentive (LTI)<br>• an award of options or performance rights with performance assessed over 3 or more years | The purpose of the LTI is to focus the executives efforts on the achievement of sustainable long term shareholder value creation and long term financial success, and creating a solid team that can work together to implement the group strategy without disruption.<br>The provision of LTI plan awards via options and performance rights for ordinary shares in Longtable encourage long term share exposure for the executives and therefore drives behaviours that align with the interests of shareholders.<br>The board believes a three-year performance period provides a reasonable period to align reward with shareholder return and also acts s a vehicle to retain the KMP, align the business planning cycle and provide sufficient time for the longer term performance wot be achieved.<br>Performance measures may vary from year to year depending on the long term business objectives and are chosen on the basis that they will increase financial performance, market share and shareholder returns, influencing both share price and shareholder returns.<br>Each grant may be divided into two tranches and each tranche is measured independently from the other so one trance may vest fully or partially while another tranche may not. |

## REMUNERATION MIX

During FY18 it was agreed that the Managing Director would not receive a component of remuneration linked to short term incentives because the company, as at the date of the Managing Directors appointment, had only one investment in Maggie Beer Products, an equity investment by Longtable.

On the appointment of new executives in 2H FY18, and after the acquisition of Bd Farm Paris Creek, a short term incentive program was implemented for these new executives.

The board recognises that a portion of executive remuneration should be at-risk and linked to Longtable annual business objectives and actual performance to ensure that the remuneration mix is aligned with the creation of shareholder value. These will be implemented for the FY19 year.

For FY18 the KMP executives "at risk" components are as follows:

| KMP Executive | TFR | Short Term Incentive[1] | Long Term Incentive |
|---|---|---|---|
| Laura McBain | $350,000 | Nil | Nil |
| Michael Caragounis | $355,000 | 40% | Nil |

1 Short term incentives are pro-rated for the period of employment.

The appointment of Michael Caragounis in January 2018 was integral to the establishment of an executive team at Longtable to integrate the newly acquired businesses, evaluate potential acquisitions and to build structures and processes that allowed the business to deliver shareholder value. Accordingly, the STI established for him was intended to upgrade the governance capability and support systems. All STI components for FY18 were non-financial measures linked to these key steps in the Groups development.

**Summary of FY18 STI payments to KMP executives**

| KMP Executive | STI $ At target | STI Achieved | STI % Achieved | STI % Forfeited |
|---|---|---|---|---|
| Michael Caragounis | $61,079 | $61,079 | 100% | Nil |

# 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 executives employment contract immediate 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 | 6 months | Yes | No | N/A |
| Michael Caragounis | 4 months | 4 months | Yes | Yes | Redundancy payment of 6 months' salary and will include any applicable pay in lieu of notice. |

# 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.

The total fees paid by the Group to members of the Board, including fees 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.

For FY18, non-executive directors annual fees (inclusive of any superannuation entitlements) were:

| Name | Base Fee | Chair of Audit Committee | Chair of Nomination and Remuneration Committee | Member of Audit Committee | Member of Nomination and Remuneration Committee |
|---|---|---|---|---|---|
| Chair | $60,000 | N/A | N/A | $0 | $0 |
| Director | $40,000 | $0 | $0 | $0 | $0 |

Directors may also be reimbursed for travel and other expenses incurred in attending to Longtable affairs.

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director. There are no retirement allowance benefits to Non-executive Directors, other than statutory superannuation contributions.

# DETAILS OF THE NATURE AND AMOUNT OF REMUNERATION

**Table A: Remuneration for KMP for the year ended 30 June 2018**

| | Short Term Benefits | | | Post Employment Benefits | | Share Based Payments | Total |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Bonus | Non-Monetary | Superannuation | Long Service Leave | Options | |
| *Non Executive Directors:* | | | | | | | |
| Tony Robinson | 54,033 | - | - | 5,133 | - | 24,479[1] | 83,645 |
| Hugh Robertson | 36,528 | - | - | 3,470 | - | - | 39,998 |
| Tom Kiing | 40,000 | - | - | - | - | - | 40,000 |
| Executive Directors: | | | | | | | |
| Laura McBain | 296,478 | - | - | 18,378 | - | 1,974,186[2] | 2,289,042 |
| Other KMP: | | | | | | | |
| Michael Caragounis | 142,140 | 61,079 | - | 8,598 | - | - | 211,817 |
| Total | **569,179** | **61,079** | - | **35,579** | - | **1,998,665** | **2,664,502** |

**Table B: Remuneration for KMP for the year ended 30 June 2017**

| | Short Term Benefits | | | Post Employment Benefits | | Share Based Payments | Total |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Bonus | Non-Monetary | Superannuation | Long Service Leave | Options | |
| Non Executive Directors: | | | | | | | |
| Tony Robinson | 54,795 | - | - | 5,205 | - | 146,874[1] | 201,874 |
| Hugh Robertson | 36,530 | - | - | 3,470 | - | - | 40,000 |
| Tom Kiing | 40,000 | - | - | - | - | - | 40,000 |
| Total | **131,325** | - | - | **8,675** | - | **146,874** | **286,874** |

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

2. During the 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 financial year as a fair value adjustment.

### Table C: Share-based payments granted as remuneration to KMP during FY18

| | Grant Date | Number granted | Value of Options Granted | Number Vested |
|---|---|---|---|---|
| Non Executive Directors: | | | | |
| Tony Robinson | - | - | - | - |
| Hugh Robertson | - | - | - | - |
| Tom Kiing | - | - | - | - |
| Executive Directors: | | | | |
| Laura McBain | 8 August 2017 | 2,800,000 options | $0.082 | 2,800,000 |
| Other KMP | | | | |
| Michael Caragounis | - | - | - | - |

### Table D: Movements during FY18 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 | Number Vested |
|---|---|---|---|---|---|
| Non Executive Directors: | | | | | |
| Tony Robinson | - | - | - | | - |
| Hugh Robertson | - | - | - | | - |
| Tom Kiing | - | - | - | | - |
| Executive Directors: | | | | | |
| Laura McBain | - | - | 70,000,000 | (67,200,000)[1] | 2,800,000 |
| Other KMP | | | | | |
| Michael Caragounis | - | - | - | | - |
| Total | - | - | 70,000,000 | (67,200,000) | 2,800,000 |

### Table E: Terms and Conditions of options over ordinary shares affecting remuneration of directors and KMP

| Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|
| 13/10/2017 | 13/10/2017 | 13/10/2021 | $0.50 | $0.20 |

Options granted carry no dividend or voting rights.

1. Other represents an adjustment to the number of options on issue as a result of the consolidation of capital on a 25:1 basis during the year.

**Table F: Movements during FY18 in the 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 | Balance at end of year |
|---|---|---|---|---|---|
| Non Executive Directors: | | | | | |
| Tony Robinson | 14,750,000[1] | - | 6,000,000 | (19,920,000)[2] | 830,000 |
| Hugh Robertson | 18,525,642 | - | 16,666,666 | (33,784,435)[2] | 1,407,873 |
| Tom Kiing | 59,292,952 | - | 50,000,000 | (104,921,233)[2] | 4,371,719 |
| Executive Directors: | | | | | |
| Laura McBain | - | - | 73,373,333 | (70,399,999)[2] | 2,973,334 |
| Other KMP: | | | | | |
| Michael Caragounis | - | - | 500,000 | (480,000)[2] | 20,000 |
| Total | 92,568,594 | - | 146,539,999 | (229,505,667) | 9,602,926 |

**Table G: Earnings for the consolidated entity for the five years to 30 June 2018**

| $'000 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Sales revenue | 8,607 | - | - | - | 1,487 |
| Net loss before tax | (7,694) | (10,293) | (1,827) | (6,640) | (2,344) |
| Net loss after tax | (6,670) | (10,293) | (1,827) | (6,640) | (2,344) |

**Table H: Factors considered to affect total shareholder return (TSR)**

| $'000 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Share price at end of financial year ($) | 0.730[3] | 0.016 | 0.040 | 0.020 | 0.050 |
| Basic earnings per share (cents per share)[4] | (10.308) | (40,571) | (24.250) | (151.500) | (148.750) |
| Diluted earnings per shares (cents per share)[4] | (10.308) | (40,571) | (24.250) | (151.500) | (148.750) |

*This concludes the remuneration report, which has been audited.*

1. On 18 July 2016, the Company granted a total of 8.75 million loan funded shares (pre-consolidation) to Mr Robinson. The loan funded shares vest in three tranches on 18 July 2016, 18 July 2017 and 18 July 2018.

2. Other represents an adjustment to the number of options on issue as a result of the consolidation of capital on a 25:1 basis during the year.

3. During the financial year 2018, the company undertook a capital reconstruction of 25:1.

4. The value of basic and diluted earnings per share relating to 2014-2017 have been adjusted to reflect the share consolidation of 25:1 completed in 2018

## SHARES UNDER OPTION

Unissued ordinary shares of Longtable Group Limited (previously Primary Opinion 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 2018 | $1.500 | 50,321 |
| 17 December 2013 | 13 December 2019 | $1.500 | 50,321 |
| 17 December 2013 | 13 December 2019 | $1.500 | 50,321 |
| 8 August 2017 | 13 October 2021 | $0.500 | 2,800,000 |
| | | | 2,950,963 |

* The exercise price and number of shares includes the impact of the 25-for-1 share consolidation completed in the 2018 year.

## 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 terms of Article 27 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.

## 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 Deloitte Touche Tohmatsu

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

## 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

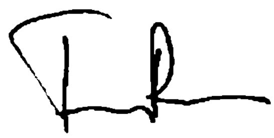
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

## AUDITOR

Deloitte Touche Tohmatsu 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
30 August 2018

18

LONGTABLE GROUP

# AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Longtable Group Limited
Level 4, 100 Albert Road
South Melbourne VIC 3205

30 August 2018

Dear Board Members

**Longtable Group Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Longtable Group Limited.

As lead audit partner for the audit of the financial statements of Longtable Group Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Gerard Belleville
Partner
Chartered Accountants

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | Note | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Sales revenue | | 8,607 | - |
| Other income | | 139 | 31 |
| **Expenses** | | | |
| Change in inventories | | 322 | - |
| Raw materials and consumables used | | (5,016) | - |
| Freight | | (608) | - |
| Employee benefits expenses | 5 | (3,086) | (135) |
| Utilities and cleaning costs | | (459) | - |
| Repairs and maintenance | | (258) | - |
| Motor vehicle expenses | | (207) | - |
| Quality assurance costs | | (168) | - |
| Overhead costs | | (413) | - |
| Depreciation expense | | (514) | - |
| Other expenses | 5 | (855) | - |
| Employee share based payment | 37 | (1,999) | (151) |
| Share based payment to employees of MBP | | (97) | (213) |
| Impairment of investments | 12 | - | (8,478) |
| Share of loss of associates | 12 | (594) | (1,021) |
| Acquisition related costs | | (1,352) | - |
| Corporate and administration costs | | (1,136) | (303) |
| **Loss before income tax benefit from continuing operations** | | (7,694) | (10,270) |
| Income tax benefit | 6 | 1,024 | - |
| Loss after income tax benefit from continuing operations | | (6,670) | (10,270) |
| Loss after income tax expense from discontinued operations | 7 | - | (23) |
| **Loss after income tax benefit for the year attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited)** | | (6,670) | (10,293) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive loss for the year attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited)** | | (6,670) | (10,293) |
| Total comprehensive loss for the year is attributable to: | | | |
| Continuing operations | | (6,670) | (10,270) |
| Discontinued operations | 7 | - | (23) |
| | | (6,670) | (10,293) |

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

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

| | Note | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| | | Cents | Cents |
| **Earnings per share for loss from continuing operations attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited)** | | | |
| Basic earnings per share | 36 | (10.308) | (40.571) |
| Diluted earnings per share | 36 | (10.308) | (40.571) |
| **Earnings per share for loss from discontinued operations attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited)** | | | |
| Basic earnings per share | 36 | - | (0.091) |
| Diluted earnings per share | 36 | - | (0.091) |
| **Earnings per share for loss attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited)** | | | |
| Basic earnings per share | 36 | (10.308) | (40.662) |
| Diluted earnings per share | 36 | (10.308) | (40.662) |

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

**STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2018**

| | Note | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Assets** | | | |
| | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 14,782 | 4,057 |
| Trade and other receivables | 9 | 2,935 | 13 |
| Inventories | 10 | 1,341 | - |
| Other | 11 | 317 | 17 |
| Total current assets | | 19,375 | 4,087 |
| | | | |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 12 | 4,907 | 5,501 |
| Property, plant and equipment | 13 | 15,585 | - |
| Intangible assets | 14 | 27,257 | - |
| Other | 15 | 750 | - |
| Total non-current assets | | 48,499 | 5,501 |
| | | | |
| **Total assets** | | 67,874 | 9,588 |
| | | | |
| **Liabilities** | | | |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 3,514 | 153 |
| Other financial liabilities | 17 | 100 | - |
| Employee benefits | 18 | 432 | - |
| Total current liabilities | | 4,046 | 153 |
| | | | |
| **Non-current liabilities** | | | |
| Other financial liabilities | 19 | 264 | - |
| Employee benefits | 20 | 38 | - |
| Total non-current liabilities | | 302 | - |
| | | | |
| **Total liabilities** | | 4,348 | 153 |
| | | | |
| **Net assets** | | 63,526 | 9,435 |
| | | | |
| **Equity** | | | |
| Issued capital | 21 | 97,224 | 37,158 |
| Reserves | 22 | 1,594 | 899 |
| Accumulated losses | | (35,292) | (28,622) |
| | | | |
| **Total equity** | | 63,526 | 9,435 |

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 2018

| Consolidated | Contributed Equity $'000 | Options Reserves $'000 | Retained Earnings $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 July 2016 | 19,251 | 535 | (18,329) | 1,457 |
| Loss after income tax expense for the year | - | - | (10,293) | (10,293) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive loss for the year | - | - | (10,293) | (10,293) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity (note 21) | 20,000 | - | - | 20,000 |
| Cost of capital raising | (1,366) | - | - | (1,366) |
| Share-based payments | - | 364 | - | 364 |
| Cancellation of shares | (727) | - | - | (727) |
| Balance at 30 June 2017 | 37,158 | 899 | (28,622) | 9,435 |

| Consolidated | Contributed Equity $'000 | Options Reserves $'000 | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|
| 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 loss for the year | - | - | (6,670) | (6,670) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity (note 21) | 62,322 | - | - | 62,322 |
| Share-based payments (note 37) | - | 695 | - | 695 |
| Cost of capital raising | (2,256) | - | - | (2,256) |
| Balance at 30 June 2018 | 97,224 | 1,594 | (35,292) | 63,526 |

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2018

| | Note | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 8,402 | - |
| Payments to suppliers and employees (inclusive of GST) | | (12,762) | (599) |
| Interest received | | 58 | 30 |
| Net cash used in operating activities | 35 | (4,302) | (569) |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 32 | (30,406) | - |
| Payments for investment in joint venture | | - | (15,000) |
| Payments for property, plant and equipment | | (60) | - |
| Payments for assets under finance lease | | (112) | - |
| Payments for deposits on investment | | (750) | - |
| **Net cash used in investing activities** | | (31,328) | (15,000) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 56,255 | 20,000 |
| **Payments for share issue costs** | | (2,256) | (1,366) |
| Repayments of borrowings | | (7,644) | - |
| Payments for share buy-backs | | - | (639) |
| Net cash from financing activities | | 46,355 | 17,995 |
| Net increase in cash and cash equivalents | | 10,725 | 2,426 |
| Cash and cash equivalents at the beginning of the financial year | | 4,057 | 1,631 |
| Cash and cash equivalents at the end of the financial year | 8 | 14,782 | 4,057 |

## 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 the economic entity of Longtable Group Limited and controlled entities. Longtable Group Limited is a public company, incorporated and domiciled in Australia. Longtable Group Limited changed its name from Primary Opinion Limited on 24 November 2017. 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. Accounting standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2018.

## 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.

**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').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, 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 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 (previously Primary Opinion Limited) ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Longtable Group Limited (previously Primary Opinion 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 its 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.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*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.

**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 Limited 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.

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 to sell 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.

**Compound instruments**

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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 2017.

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

- ASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

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 2018. 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 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity has adopted this standard from 1 July 2018. This has not had a material impact on the Group's financial performance, accounting processes or recognition of balances.

*AASB 15 Revenue from Contracts with Customers*
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity has adopted this standard from 1 July 2018. The consolidated entity has adopted this standard from 1 July 2018. This has not had a material impact on the Group's financial performance, accounting processes or recognition of balances.

*AASB 16 Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be

capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but no net material impact is expected.

## 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 judgements, 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.

*Business combinations*
As discussed in note 32, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation 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.

*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.

*Impairment of non-financial assets*
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting

date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The consolidated entity has carried out a review of the carrying amount of investment in joint venture, Maggie Beer Products (MBP), by incorporating key estimates and assumptions prepared by MBP management.

*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 Binomial 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.

*Recovery of deferred tax assets*
As described in note 2 above, the Group recognises deferred tax assets to the extent that future taxable profits will be available against which to utilise the benefits of the temporary differences. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## 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 two operating segments under the criteria set out in AASB 8, being the investment in B.-d Farm Paris Creek Pty Ltd ("Paris Creek Farms"), and the investment in Maggie Beer Products Pty Ltd ("MBP").

Information regarding this segment is set out below. Group costs are not considered an operating segment and are accounted for in the reconciliation to operating profit before tax. The accounting policies for the segment are consistent with those of the consolidated entity.

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

| Consolidated – 2018 | Paris Creek Farms $'000 | MBP $'000 | Other segments $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 8,607 | - | - | 8,607 |
| Interest revenue | - | - | 58 | 58 |
| **Total revenue** | 8,607 | - | 58 | 8,665 |
| | | | | |
| **Underlying trading EBITDA** | (396) | (594) | - | (990) |
| **Loss before income tax benefit** | | | | (7,694) |
| Income tax benefit | | | | 1,024 |
| **Loss after income tax benefit** | | | | (6,670) |
| | | | | |
| **Assets** | | | | |
| Segment assets | 20,513 | - | 66,481 | 86,994 |
| Intersegment eliminations | | | | (19,120) |
| **Total assets** | | | | 67,874 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 13,263 | - | 1,274 | 14,537 |
| Intersegment eliminations | | | | (10,189) |
| **Total liabilities** | | | | 4,348 |

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Reconciliation of the underlying EBITDA to profit before tax** | | |
| Underlying segment EBITDA | (990) | (1,021) |
| Depreciation | (514) | - |
| | | |
| Non-recurring income | | |
| - Government grants and rebates | 59 | - |
| - Gain on sale of assets | 18 | - |
| - Other | 4 | - |
| | | |
| Non-recurring costs on acquisition | | |
| - Employee costs and provisions | (432) | - |
| - Operational costs | (132) | - |
| - Professional fees | (62) | - |
| - Stock obsolescence | (55) | - |
| - Doubtful debts | (157) | - |
| Finance costs | (16) | - |
| Unallocated corporate costs | (5,475) | (9,280) |
| Unallocated corporate income | 58 | 31 |
| | | |
| Loss before income tax benefit | (7,694) | (10,270) |

*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'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## NOTE 5. EXPENSES

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Loss before income tax from continuing operations includes the following specific expenses: | | |
| *Employee benefits expense* | | |
| Employee benefits expense - Corporate | 890 | 135 |
| Employee benefits expense - Paris Creek | 2,196 | - |
| Total employee benefits expense | 3,086 | 135 |
| *Other expenses* | | |
| Doubtful debts expense | 157 | - |
| Consultant fees | 175 | - |
| Paris Creek employee entitlement provision true-up | 257 | - |
| Other expenses | 266 | - |
| Total other expenses | 855 | - |

## NOTE 6. INCOME TAX BENEFIT

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| *Income tax benefit* | | |
| Current tax | (822) | (2,979) |
| Deferred tax expense | | |
| Amounts not brought to account as a Deferred Tax Asset in the current year | 654 | 2,979 |
| 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 from continuing operations | (7,694) | (10,270) |
| Loss before income tax expense from discontinued operations | - | (23) |
| | (7,694) | (10,293) |
| Tax at the statutory tax rate of 30% | (2,308) | (3,088) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible expenses | 629 | 109 |
| Amounts not brought to current as a Deferred Tax Asset in the current year | 655 | 2,979 |
| Income tax benefit | (1,024) | - |

| | Consolidated 2018 $'000 | Consolidated 2017 $'000 |
|---|---|---|
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised (Australia) | 11,333 | 10,294 |
| Potential tax benefit @ 30% | 3,400 | 3,088 |

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 $5,958,223 (at 30%: $1,787,466) that are not recognised in the financial report, in addition to the losses stated above.

| | Consolidated 2018 $'000 | Consolidated 2017 $'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 7. DISCONTINUED OPERATIONS

*Description*

During the 2016 financial year the directors advised that following a thorough review of business operations, the Group would consolidate the principal operations of the Group's former business based in the United Kingdom back to Australia. The consolidated entity carried out a reduction in operating expenses whilst enabling the board to explore business opportunities to strengthen the business.

The assets from the operations, where they could not be transferred for use within the Group's operation or Corporate Office, were written down to nil at 30 June 2016 and scrapped. Any additional liabilities arising from the decision to discontinue operations were included in the result for the year ended 30 June 2017.

During the financial year ending 30 June 2018 the discontinued operations were liquidated and $0.009 million was received.

*Financial performance information*

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Other expenses | - | (23) |
| | | |
| Loss before income tax expense | - | (23) |
| Income tax expense | - | - |
| | | |
| Loss after income tax expense from discontinued operations | - | (23) |

*Accounting policy for discontinued operations*

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Cash at bank | 14,772 | 4,047 |
| Cash on deposit | 10 | 10 |
| | | |
| | 14,782 | 4,057 |

*Accounting policy for cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Trade receivables | 2,817 | - |
| Other receivables | - | 9 |
| GST receivable | 118 | 4 |
| | 2,935 | 13 |

*Accounting policy for trade and other receivables*
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

$1.3 million of the trade receivable balance is past due but not impaired, as disclosed in note 24.

Other receivables are recognised at amortised cost, less any provision for impairment.

## NOTE 10. CURRENT ASSETS – INVENTORIES

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Stock on hand - at cost | 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.

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

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Prepayments | 317 | 17 |

## 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 Maggie Beer Products Pty Ltd (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.

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 Maggie Beer Products Pty Ltd (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.

The projection includes modest revenue growth forecasted over the period and takes into account the reduction of losses incurred in FY19 mainly driven by cost saving initiatives already executed. The discount rate used in measuring fair value was increased to 13.50% per annum from 12.37%, reflecting historical challenges in revenue forecasts.

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Investment in Maggie Beer Products Pty Ltd ("MBP") | 4,907 | 5,501 |

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Summarised Balance Sheet | | |
| Current assets | 10,476 | 11,596 |
| Non-current assets | 7,658 | 5,671 |
| Current liabilities | (5,299) | (2,643) |
| Non-current liabilities | (1,169) | (1,719) |
| Net assets | 11,666 | 12,905 |

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Reconciliation of carrying amount of investment | | |
| Opening net assets | 12,905 | 6,461 |
| Loss for the period | (1,239) | (2,127) |
| Other comprehensive Income | - | (1,429) |
| Capital Contribution | - | 10,000 |
| Closing net assets | 11,666 | 12,905 |

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Company share % | | |
| Company's share of opening net assets | 5,501 | 7,222 |
| Goodwill | - | 7,778 |
| Company's share of net loss for the period | (594) | (1,021) |
| Impairment of goodwill and investment | - | (8,478) |
| Carrying amount of investment in associate | 4,907 | 5,501 |

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.

After the share acquisition and capital contribution management have assessed the fair values of MBP's balance sheet as at 19 July 2016, the completion date of the investment transaction, as $15 million and determined that no other material assets or liabilities existed as at completion date. The intangible in MBP's balance sheet associated with the Maggie Beer brand has an indefinite life due to the prominence of the Maggie Beer brand in the marketplace.

The resultant goodwill is attributable to MBP's strong national presence and significant potential for growth due to its highly skilled workforce and management team led by a high-profile figure in the Australian premium food industry. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

**Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Land - at independent valuation | 460 | - |
| | | |
| Motor vehicles under lease | 828 | - |
| Less: Accumulated depreciation | (86) | - |
| | 742 | - |
| | | |
| Plant and equipment at independent valuation | 7,884 | - |
| Less: Accumulated depreciation | (294) | - |
| | 7,590 | - |
| | | |
| Building and leasehold improvements at independent valuation | 6,906 | - |
| Less: Accumulated depreciation | (113) | - |
| | 6,793 | - |
| | | |
| | 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:

| | Land $'000 | Motor vehicles under lease $'000 | Building and leasehold improvements $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| Balance at 1 July 2016 | - | - | - | - | - |
| Balance at 30 June 2017 | - | - | - | - | - |
| Additions | - | - | 31 | 368 | 399 |
| Additions through business combinations (note 32) | 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 |

*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 under lease | 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Goodwill – at cost | 27,257 | - |

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

*Accounting policy for intangible assets*

*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 impairment losses, on the same basis as intangible assets that are acquired separately.

## NOTE 15. NON-CURRENT ASSETS – OTHER

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Other deposits | 750 | - |

Other amount above includes a $0.75 million security deposit paid with regards to the acquisition of St David Dairy Pty Ltd. This deposit is non-refundable and forms part of the acquisition cost of $15.25 million for St David Dairy Pty Ltd.

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

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Trade payables | 3,453 | 57 |
| Other payables | 61 | 96 |
| | 3,514 | 153 |

Refer to note 24 for further information on financial instruments.

Trade and other payables are non-interest bearing and are normally settled within 30 to 60 days of recognition.

*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 and are usually due for payment within 30 days of issue.

## NOTE 17. CURRENT LIABILITIES – OTHER FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Lease liability | 100 | - |

Refer to note 24 for further information on financial instruments.

## NOTE 18. CURRENT LIABILITIES – EMPLOYEE BENEFITS

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $'000 | $'000 |
| Employee benefits | 432 | - |

*Accounting policy for employee benefits*

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, 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.

Contributions made by the Company to employee superannuation funds are charged as expenses when incurred.

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 19. NON-CURRENT LIABILITIES – OTHER FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Lease liability | 264 | - |

Refer to note 24 for further information on financial instruments.

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

| | Consolidated | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Lease liability | | |
| - current | 100 | - |
| - non-current | 264 | - |

*Assets pledged as security*
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 | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Employee benefits | 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 | | | |
|---|---|---|---|---|
| | 2018 Shares | 2017 Shares | 2018 $'000 | 2017 $'000 |
| Ordinary shares – fully paid | 111,292,884 | 738,665,306 | 97,224 | 37,158 |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | $'000 |
|---|---|---|---|---|
| Balance | 1 July 2016 | 267,257,697 | | 19,251 |
| Issue of shares – capital raising | 15 July 2016 | 500,000,000 | $0.040 | 20,000 |
| Issue of shares – loan fund share plan | 18 July 2016 | 21,750,000 | - | - |
| Shares bought back during the year | | (50,342,391) | - | (727) |
| Costs of capital raising | | - | - | (1,366) |
| Balance | 30 June 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* | | - | - | 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 | 9 March 2018 | (2,328,172,077) | - | - |
| Issue of shares to shareholders | 29 June 2018 | 14,285,714 | $0.700 | 10,000 |
| Costs of capital raising | | - | - | (2,256) |
| Balance | 30 June 2018 | 111,292,884 | | 97,224 |

*In accordance with AASB 2 - Share Based Payments, the fair value measurement date was required to be the shareholder approval date which has resulted in the fair value of those shares assessed as $2.03 million, based upon the closing share price of $0.058 on the date of the AGM. The difference between the amount paid and the fair value amount of $1.40 million has been accounted for in the Statement of profit and loss and other comprehensive income for the year.

**During the year, the Company issued shares to vendors on completion of the acquisition of B.-d Farm at a deemed issue price of $0.03 (3 cents) per share, with a total contract value of $3.50 million. However under AASB 3 - Business Combination, the fair value of $4.67 million is calculated using $0.04 (4 cents) per share, being the closing share price on the date of shareholder approval (21 December 2017). This resulted in an increase in the accounting value amounting by $1.17 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*
There were no share buy backs during the year (2017: 50,342,391 shares bought back (pre-consolidation)).

*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 2017 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 | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| Options reserve | 1,594 | 899 |

*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.

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

| | Options reserve<br>$'000 | Totals<br>$'000 |
|---|---|---|
| Consolidated | | |
| Balance at 1 July 2016 | 535 | 535 |
| Share based payment | 364 | 364 |
| Balance at 30 June 2017 | 899 | 899 |
| Share based payment* | 695 | 695 |
| Balance at 30 June 2018 | 1,594 | 1,594 |

* The increase in share based payment expense during the financial year has resulted from the following:

- Accounting for the fair value of options issued to Laura McBain during the financial period, amounting to $0.57 million;
- Accounting for the fair value of loan funded shares, which were issued during the 2017 financial year, amounting to $0.13 million.

## NOTE 23. EQUITY – DIVIDENDS

*Dividends*

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

*Franking credits*

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 6,115 | 4,945 |

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 2018.

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.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets 2018 $'000 | Assets 2017 $'000 | Liabilities 2018 $'000 | Liabilities 2017 $'000 |
|---|---|---|---|---|
| **Consolidated** | | | | |
| GBP | - | 9 | - | - |

*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. 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 | | |
|---|---|---|---|---|---|---|
| | 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 |
| **Consolidated – 2018** | | | | | | |
| Bank deposits | 100 | 147 | 147 | (50) | (74) | (74) |

| | Basis points increase | | | Basis points decrease | | |
|---|---|---|---|---|---|---|
| | 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 |
| **Consolidated – 2017** | | | | | | |
| Bank deposits | 100 | 41 | - | (50) | (20) | - |

*Credit risk*
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.

*Impairment of receivables*
The consolidated entity has recognised a loss of $0.2 million (2017: NIL) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| 30 days overdue | 6 | - |
| 31 to 60 days overdue | 14 | - |
| 61 to 90 days overdue | 19 | - |
| 91 to 120 days overdue | 21 | - |
| Greater than 121 days overdue | 97 | - |
| | 157 | - |

*Past due but not impaired*
Customers with balances past due but without provision for impairment of receivables amount to $1.3 million as at 30 June 2018 ($NIL as at 30 June 2017). The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| 31 to 60 days overdue | 893 | - |
| 61 to 90 days overdue | 109 | - |
| 91 to 120 days overdue | 95 | - |
| Greater than 121 days overdue | 191 | - |
| | 1,288 | - |

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

*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 - 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 payables | - | 3,514 | - | - | - | 3,514 |
| *Interest-bearing - fixed rate* | | | | | | |
| Lease liability | 5.25% | 100 | 264 | - | - | 364 |
| Total non-derivatives | | 3,614 | 264 | - | - | 3,878 |

| Consolidated - 2017 | 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 payables | - | 153 | - | - | - | 153 |
| Total non-derivatives | | 153 | - | - | - | 153 |

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.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| Consolidated | | | | |
| *Assets* | 14,782 | 14,782 | 4,057 | 4,057 |
| Cash and cash equivalents | 2,935 | 2,935 | 13 | 13 |
| Trade and other receivables | 17,716 | 17,716 | 4,070 | 4,070 |
| *Liabilities* | | | | |
| Trade and other payables | 3,514 | 3,514 | 153 | 153 |
| Lease liability | 364 | 364 | - | - |
| | 3,877 | 3,877 | 153 | 153 |

## 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 (previously Primary Opinion Limited) during the financial year:

| | |
|---|---|
| Tony Robinson | Non-Executive Chairman |
| Tom Kiing | Non-Executive Director |
| Hugh Robertson | Non-Executive Director |
| 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 | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Short-term employee benefits | 630,258 | 131,325 |
| Post-employment benefits | 35,579 | 8,675 |
| Share-based payments | 1,998,665 | 146,874 |
| | 2,664,502 | 286,874 |

## NOTE 27. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| *Audit services - Deloitte Touche Tohmatsu* | | |
| Audit or review of the financial statements | 78,300 | 54,000 |
| *Other services - Deloitte Touche Tohmatsu* | | |
| Tax advisory | 12,500 | - |
| | 90,800 | 54,000 |

## NOTE 28. CONTINGENT ASSETS

As at the date of signing this report, Longtable Group has notified the previous vendors of B.-d Farm 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 Farms.

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 | |
|---|---|---|
| | 2018<br>$'000 | 2017<br>$'000 |
| *Lease commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 100 | - |
| *One to five years* | 264 | - |
| | 364 | - |

Finance lease commitments includes contracted amounts for various motor vehicles with a written down value of $0.742 million as at 30 June 2018 (2017: NIL) under finance leases expiring within 1 to 5 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

## NOTE 30. RELATED PARTY TRANSACTIONS

*Parent entity*
Longtable Group Limited (previously Primary Opinion 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 financial year, the consolidated entity paid or had payable $358,725 in relation to insurance renewals and related services provided by an entity associated with Mr Tony Robinson, PSC Insurance Group Limited.

During the year, the Company completed capital raisings amounting to a fair value of $54.96 million from the issue of 74,279,605 shares (post share consolidation completed on a 25 for 1 basis in March 2018) 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 $2,152,864. The underwriting fee and management fee is for 4% of the funds raised under the capital raise.

*Receivable from and payable to related parties*
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date.

*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*

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Loss after income tax | (4,989) | (10,269) |
| Total comprehensive income | (4,989) | (10,269) |

*Statement of financial position*

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Total current assets | 16,692 | 4,078 |
| Total assets | 66,482 | 9,579 |
| Total current liabilities | 999 | 153 |
| Total liabilities | 1,275 | 153 |
| Equity | | |
| Issued capital | 97,224 | 37,158 |
| Options reserve | 1,594 | 899 |
| Accumulated losses | (33,611) | (28,631) |
| Total equity | 65,207 | 9,426 |

*Contingent liabilities*

A previous director of the Company has made a claim under his deed of indemnity with the Company for legal costs totalling $0.088 million This claim is in respect of the legal costs the previous director has incurred to date in relation to investigations by ASIC and defending proceedings brought by the Commonwealth Director of Public Prosecutions. The Company denies that it is liable for these costs on the basis that they relate to defending criminal charges brought by ASIC in relation to a breach of directors' duties whilst director of the Company. The Company considers that the indemnity does not cover liability incurred or arising out of a breach of directors' duties.

*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 (2017: 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

*Recognition and measurement*
Intangible assets are initially recognised and recorded at cost where it is probable that future economic benefits attributable to the asset will flow to the Group and the cost can be measured reliably. Subsequently, intangible assets are carried at cost less any accumulated impairment losses.

Effective 22 December 2017, the consolidated entity acquired 100% of the ordinary shares of B.-d Farm Paris Creek Pty Ltd ("Paris Creek Farms") for a total consideration of $35.17 million. Paris Creek Farms is a bio-dynamic organic dairy product processing and distribution business located at Paris Creek in South Australia.

At the date of finalisation of the June 2018 report, the consolidated entity has finalised its analysis on whether all identifiable intangible assets have been recognised and vendor warranties and representations met.

This has involved a review and assessment of:

- Brand names;
- Trademarks;
- Customer contracts; and
- Any other separately identifiable intangible assets (Organic Certification).

The result of the review noted there is no separate intangible asset able to be valued and allocated as of the acquisition balance sheet. Accordingly the difference between the purchase price and net assets acquired has been allocated to goodwill. For tax purposes, the tax values of Paris Creek's assets are required to be reset based on market values of the assets when admitted into the tax consolidated group.

At 31 December 2017 the consideration transferred and the fair values of the identifiable assets and liabilities acquired in respect of the acquisition of B.-d Farm Paris Creek Pty Ltd was provisional. These have now been retrospectively adjusted to reflect new information obtained about the facts and circumstances that existed as of the acquisition date. The impact of the restatement has been to recognise a deferred tax liability of $1.02 million as a result of a fair value uplift recognised on the plant property and equipment acquired with a corresponding increase in goodwill recognised of $1.02 million.

The final goodwill of $27.26 million, post this deferred tax adjustment, represents the purchase price paid less the fair value of net assets acquired. Goodwill arose in the acquisition of Paris Creek because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit expected from revenue growth, and future market development. Consistent with the review undertaken, these benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identification intangible assets.

The acquired business contributed revenues of $8.6 million and a loss before tax of $1.68 million to the consolidated entity for the period ending 30 June 2018.

*Goodwill*
Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate impairment. Goodwill is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units.

Each unit to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed.

*Recoverable amount of goodwill*
In accordance with AASB 136, impairment testing has been undertaken as at 30 June 2018 for all cash generating units (CGUs) with indefinite intangibles or where there is an indication of impairment. The Company has one CGU, being Paris Creek, for which impairment testing has been completed.

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 change in working capital, depreciation and amortisation, and maintenance capital expenditure.

Key assumptions used in the value-in-use calculations for the Paris Creek CGU are based on management's preliminary budget for financial year 2019 and the assumptions in the acquisition business case as approved by the Board. These include:

Revenue Growth: Revenue growth over the five-year period is based upon forecasted revenue growth associated with the Groups growth strategy, in line with the processing capability and capacity of the business unit, underpinned by estimated increases in milk intake volumes, new and re-branded product offerings and a price re-set where applicable.

Costs: Overall forecast costs of sales and other costs are anticipated to increase over the five-year period however in line with revenue growth and consistent as a percentage of sales. The cost per litre of procuring biodynamic organic milk however is not forecasted to change from current levels.

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 rates.

Post-tax discount rate (WACC): 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 in measuring fair value of 10.99% per annum.

A reduction in the EBITDA margin by an average of 8.2% over the five year forecast period would result in the recoverable amount of the CGU being equal to the carrying amount. A reduction in the forecast milk supply by 7.8% would result in the recoverable amount of the CGU being equal to the carrying amount. Management believe that any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

The fair values of the identifiable net assets acquired are detailed below:

| | Fair value $'000 |
|---|---|
| Cash and cash equivalents | 94 |
| Trade receivables | 2,616 |
| Income tax refund due | 23 |
| GST receivables | 101 |
| Other receivables | 136 |
| Prepayments | 71 |
| Inventories | 1,010 |
| Property, plant and equipment | 16,040 |
| Deferred tax asset | 243 |
| Trade payables | (2,476) |
| Other payables | (246) |
| Employee benefits | (315) |
| Bank loans | (7,644) |
| Other borrowings | (476) |
| Deferred tax liability | (1,267) |
| Net assets acquired | 7,910 |
| Goodwill | 27,257 |
| Acquisition-date fair value of the total consideration transferred | 35,167 |
| Representing: | |
| Cash paid or payable to vendor | 30,500 |
| Longtable Group Limited shares issued to vendor | |
| Value of share issued at deemed issue price of $0.03 (3 cents) per share* | 3,500 |
| Adjustment for fair value of shares at issue date** | 1,167 |
| | 35,167 |

* Post share consolidation completed in March 2018, this is equivalent to $0.75 (75 cents) per share

** During the year, the Company issued shares to vendors on completion of the acquisition of Paris Creek at a deemed issue price of $0.03 (3 cents) per share, with a total contract value of $3.50 million. However under AASB 3 - Business Combination, the fair value of $4.67 million is calculated using $0.04 (4 cents) per share, being the closing share price on the date of shareholder approval (21 December 2017). This resulted in an increase in the accounting value amounting by $1.17 million. Post share consolidation completed in March 2018, the fair value of the shares at $0.04 (4 cents) per share is equivalent to $1.00 (1 dollar) per share.

**i. Consideration transferred**
The fair value of the ordinary shares issued to vendor was $0.04 per ordinary share (4 cents: equivalent to $1.00 after share consolidation), being the closing share price on 21 December 2017 (date of shareholder approval). These shares are subject to a voluntary escrow for a period of 6 months.

**ii. Acquisition related costs**
Acquisition-related costs amounting to $1.35 million are not included as part of consideration for the acquisition and have been recognised as transaction costs. These costs have been separately classified in the Statement of Profit or Loss and Other Comprehensive Income.

*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:

| | Principal place of business / Country of incorporation | Ownership interest 2018 % | 2017 % |
|---|---|---|---|
| Primary Opinion Limited * | UK | - | 100.00% |
| B.-d Farm Paris Creek Pty Ltd | Australia | 100.00% | - |

* Primary Opinion Limited was put into liquidation on 18 December 2015

### NOTE 34. EVENTS AFTER THE REPORTING PERIOD

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 (post-consolidation) 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 $3 million in shares issued at $0.70 to the vendor. The shares will be 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.

No other matter or circumstance has arisen since 30 June 2018 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 2018 $'000 | 2017 $'000 |
|---|---|---|
| Loss after income tax benefit for the year | (6,670) | (10,293) |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 514 | - |
| Impairment of investments | - | 8,371 |
| Share of loss - associates | 594 | 1,128 |
| Share-based payments | 1,999 | 364 |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (287) | 52 |
| Increase in inventories | (331) | - |
| Decrease in other current assets | (110) | 297 |
| Decrease in deferred tax liabilities | (1,024) | - |
| Increase in other provisions | 155 | - |
| Decrease/Increase in trade creditors and accruals | 862 | (488) |
| | | |
| Net cash used in operating activities | (4,302) | (569) |

## NOTE 36. EARNINGS PER SHARE

| | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|
| *Earnings per share for loss from continuing operations* | | |
| Loss after income tax attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited) | (6,670) | (10,270) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 64,709,694 | 25,313,447 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 64,709,694 | **25,313,447** |
| | Cents | Cents |
| Basic earnings per share | (10.308) | (40.571) |
| Diluted earnings per share | (10.308) | (40.571) |

The weighted average number of ordinary shares for 30 June 2017 and 30 June 2018 has been restated for the effect of the share consolidation (25 for 1) completed in March 2018, in accordance with AASB 133 'Earnings per share'.

| | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|
| *Earnings per share for loss from discontinued operations* | | |
| Loss after income tax attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited) | - | (23) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 64,709,694 | 25,313,447 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 64,709,694 | **25,313,447** |
| | Cents | Cents |
| Basic earnings per share | - | (0.091) |
| Diluted earnings per share | - | (0.091) |

| | Consolidated 2018 $'000 | 2017 $'000 |
|---|---|---|
| *Earnings per share for loss* | | |
| Loss after income tax attributable to the owners of Longtable Group Limited (previously Primary Opinion Limited) | (6,670) | (10,293) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 64,709,694 | 25,313,447 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 64,709,694 | **25,313,447** |
| | Cents | Cents |
| Basic earnings per share | (10.308) | (40.662) |
| Diluted earnings per share | (10.308) | (40.662) |

*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 (previously Primary Opinion 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**

Set out below are summaries of options granted under the Loan Funded Share Plan, and options issued to the current Managing Director, Laura McBain during the 2018 financial year:

2018

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Consolidation of options* | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 17/12/2013[1] | 13/12/2018 | $1.500 | 1,258,033 | - | (1,207,712) | - | 50,321 |
| 17/12/2013[1] | 13/12/2019 | $1.500 | 1,258,033 | - | (1,207,712) | - | 50,321 |
| 17/12/2013[1] | 13/12/2020 | $1.500 | 1,258,033 | - | (1,207,712) | - | 50,321 |
| 08/08/2017[2] | 13/10/2021 | $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.
1. Options issued to Martin Burke
2. Options issued to Laura McBain

2017

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Consolidation of options* | Expired/ forfeited/ other | Balance at the end of the year* |
|---|---|---|---|---|---|---|---|
| 17/12/2013 | 13/12/2018 | $0.060 | 1,258,033 | - | - | - | 1,258,033 |
| 17/12/2013 | 13/12/2019 | $0.060 | 1,258,033 | - | - | - | 1,258,033 |
| 17/12/2013 | 13/12/2020 | $0.060 | 1,258,033 | - | - | - | 1,258,033 |
| | | | 3,774,099 | - | - | - | 3,774,099 |

* These figures do not include the effects of the 25-for-1 share consolidation completed in March 2018.

Details of share options held by employees, former employees, consultants and former Directors outstanding as at end of year:

| Grant date | Vesting date | Share price at grant date* | Exercise price* | Fair value at grant date |
|---|---|---|---|---|
| 17/12/2013 | 17/12/2018 | $0.021 | $0.060 | $0.0260 |
| 17/12/2013 | 17/12/2019 | $0.021 | $0.060 | $0.0270 |
| 17/12/2013 | 17/12/2020 | $0.021 | $0.060 | $0.0230 |
| 13/10/2017 | 13/10/2017 | $0.058 | $0.020 | $0.0082 |

* Values are prior to share consolidation completed in March 2018

*Options issued to previous Managing Director*
During the previous financial years, the consolidated entity granted unlisted options to Managing Director, Mr Martin Burke, following receipt of shareholder approval.

Mr Martin Burke resigned during the previous financial year and the Company agreed to waive the vesting condition in relation to the continuation of employment. These options still retain their other vesting conditions relating to share price hurdles.

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 $2.125 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 $7.125 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 $12.50 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.

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

*Loan Funded Share Plan (LFSP)*
On 24 June 2016, the Company granted a total of 21.75 million loan funded shares (pre-consolidation) to Tony Robinson and employees of Maggie Beer Products Pty Ltd (MBP).

MBP is a joint venture of the company and does not form part of the consolidated group. 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.

Set out below are summaries of loan funded shares granted during the prior period:

| Grant date | Repayment date | Issue Price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year* |
|---|---|---|---|---|---|---|---|
| Tony Robinson (Longtable Group director) | | | | | | | |
| 18/07/2016 | 18/07/2020 | $0.04 | 8,750,000 | - | - | - | 8,750,000 |
| MBP employees | | | | | | | |
| 18/07/2016 | 18/07/2026 | $0.04 | 6,250,000 | - | - | - | 6,250,000 |
| 18/07/2016 | 18/07/2026 | $0.04 | 5,000,000 | - | - | - | 5,000,000 |
| 18/07/2016 | 18/07/2026 | $0.04 | 1,250,000 | - | - | - | 1,250,000 |
| 18/07/2016 | 18/07/2026 | $0.04 | 500,000 | - | - | - | 500,000 |
| | | | 21,750,000 | - | - | - | 21,750,000 |

* These loan funded shares figures do not include the effects of the 25-for-1 share consolidation completed in March 2018.

An amount of $0.024 million has been recognised as share based payments expense in respect of the LFSP for Tony Robinson (Longtable Group director) and $0.097 million has been recognised in respect of the LFSP for MBP employees.

*Options issued to current Managing Director*
On 13 October 2017 the company issued the current Managing Director, Laura McBain, 70 million 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 million options are equivalent to 2.8 million options post the share consolidation completed in March 2018.

An amount of $0.57 million has been recognised as share based payments for these options in the financial year ending 30 June 2018.

*Shares issued to current Managing Director*
During the year, the company issued shares to the current Managing Director, Laura McBain, in two lots of 35 million shares issued at $0.018.

The 70 million shares are equivalent to 2.8 million shares post the share consolidation completed in March 2018.

In accordance with AASB 2 - Share Based Payments, the fair value measurement date was required to be the shareholder approval date which has resulted in the fair value of those shares assessed as $2.03 million, based upon the closing share price of $0.058 on the date of the AGM.

The difference between the amount paid and the fair value amount of $1.40 million has been accounted for as a share based payment expense for the year ended 30 June 2018.

# DIRECTORS' DECLARATION

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 2018 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
30 August 2018

Deloitte.

Deloitte Touche Tohmatsu
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# Independent Auditor's Report to the Members of Longtable Group Limited

## Report on the Financial Report

*Opinion*

We have audited the financial report of Longtable Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

*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 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*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. These 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.

Deloitte.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Accounting for business combinations**<br><br>The Group completed one business combination during the year ended 30 June 2018. The total purchase consideration transferred was $35.2m and goodwill arising on acquisition amounted to $27.3m.<br><br>Accounting for the acquisition required management judgement in relation to the identification and valuation of the assets acquired and the liabilities assumed at acquisition date. | **Our procedures included, but were not limited to:**<br><br>• Evaluating management's assessment of the transactions in accordance with the relevant accounting standards.<br><br>• Evaluating completeness of the assets and liabilities identified in the acquisition accounting against the sale and purchase agreement and our understanding of the businesses acquired, including the estimate of contingent consideration where applicable.<br><br>• Assessing management's purchase price allocation in relation to the acquisition, including relevant information that management obtained from valuation experts in relation to the identification and valuation of identifiable assets acquired and liabilities assumed are in accordance with the relevant accounting standards.<br><br>• In conjunction with our valuation specialists challenging the work performed by management:<br><br>- Assessing the competence and objectivity of management's expert where applicable;<br><br>- Assessing the appropriateness of the models utilised in the valuation of identifiable assets acquired;<br><br>- Validating the assumptions used in the model against historical performance and industry benchmarks; and<br><br>• Evaluating the useful lives associated with the acquired tangible assets including assessment of management's estimation and whether it is consistent with Group policy and/or the relevant accounting standards.<br><br>We also assessed the appropriateness of the disclosures in Note 32 to the financial statements. |
| **Carrying value of goodwill**<br><br>As at 30 June 2018, goodwill of $27.3m has been recognised in the consolidated statement of financial position as disclosed in Note 14.<br><br>The goodwill has been allocated to one Cash Generating Unit ("CGU") at which level the goodwill is monitored by management.<br><br>The group is required to annually assess the carrying value of goodwill. This is performed through value-in-use discounted cash flow models. The value in use calculations include key assumptions and judgements in the calculation of the recoverable amounts, namely forecast future cash flows, the long term growth rate and discount rate assumptions. | **Our procedures included, but were not limited to:**<br><br>• Evaluating the appropriateness of management's identification of the Group's CGU to which the goodwill is allocated;<br><br>• Assessing the reasonableness of cash flow projections and assessing growth rates;<br><br>• Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the discount rate and the terminal growth rate;<br><br>• Assessment of management's evaluation of the comparison of the Company's market capitalisation to the value in use impairment modelling; and<br><br>• Testing the mathematical accuracy of the impairment model.<br><br>We have also assessed the appropriateness of the disclosures in Note 14 to the financial statements. |

| **Carrying Value of Investment in MBP** | **Our audit procedures included, but were not limited to;** |
|---|---|
| As disclosed in Note 12, the Company has an investment in MBP carried at $4.9m.<br><br>For the year ended 30 June 2018, the Company has recognised an equity accounted share of the MBP trading loss for the year of $594k.<br><br>The assessment of the recoverable amount of the investment in MBP requires management to exercise significant judgement in determining the appropriate assumptions in respect of the future financial performance of MBP, in particular revenue growth and margin. | • Obtaining an understanding of the process that management had undertaken to assess the recoverable amount of the investment in MBP;<br><br>• In conjunction with our valuation experts, we assessed the assumptions used in the Company's evaluation of the recoverable amount of the investment. This included assessing evidence that supports the forecast revenue growth and margin, forecast capital expenditure required to support forecast revenue growth and the discount rate used in the company's valuation model; and<br><br>• Testing, on a sample basis, the mathematical accuracy of the cash flow model.<br><br>We have also assessed the appropriateness of the disclosures in Note 12 to the financial statements. |

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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 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, 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 has 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 to 26 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Longtable Group Limited, for the year ended 30 June 2018, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gerard Belleville

Gerard Belleville
Partner
Chartered Accountants
Melbourne, 30 August 2018

The shareholder information set out below was applicable as at 2 October 2018

## 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 | 1,216 |
| 1,001 to 5,000 | 948 |
| 5,001 to 10,000 | 463 |
| 10,001 to 100,000 | 648 |
| 100,001 and over | 94 |
| | 3,369 |
| Holding less than a marketable parcel | 1,259 |

## EQUITY SECURITY HOLDERS

*Twenty largest quoted equity security holders*

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

| | Number held | Ordinary shares % of total shares issued |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 12,112,805 | 9.87 |
| BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP) | 10,173,843 | 8.29 |
| Citicorp Nominees Pty Limited | 9,798,201 | 7.98 |
| HSBC Custody Nominees (Australia) Limited - A/C 2 | 8,044,025 | 6.55 |
| National Nominees Limited | 5,641,724 | 4.60 |
| BNP Paribas Noms Pty Ltd (DRP) | 4,648,956 | 3.79 |
| Sieana Pty Ltd | 4,371,719 | 3.56 |
| Ben Evans Pty Ltd (The Evans Family A/C) | 4,285,714 | 3.49 |
| Helmut Kujat-Spranz + Ulrike Beatrice Spranz (Spranz Family A/C) | 3,200,000 | 2.61 |
| National Nominees Limited (DB A/C) | 3,112,734 | 2.54 |
| CVC Limited | 2,256,865 | 1.84 |
| CS Fourth Nominees Pty Limited (HSBC Cust Nom Au Ltd 11 A/C) | 1,704,038 | 1.39 |
| BNP Paribas Nominees Pty Ltd (Agency Lending Drp A/C) | 1,674,935 | 1.36 |
| JBWere (NZ) Nominees Limited (56871 A/C) | 1,554,000 | 1.27 |
| Vermilion 21 Pty Ltd (The Mcnelhaus Super Fund A/C) | 1,533,334 | 1.25 |
| Vermilion 21 Pty Ltd (The Mcnelhaus A/C) | 1,440,000 | 1.17 |
| Rubi Holdings Pty Ltd (John Rubino S/F A/C) | 1,430,770 | 1.17 |
| J P Morgan Nominees Australia Limited | 852,000 | 0.69 |
| Thirty-Fifth Celebration Pty Ltd (JC Mcbain Super Fund A/C) | 844,286 | 0.69 |
| Helmut Kujat-Spranz + Ulrike Beatrice Spranz (Spranz Super Fund A/C) | 800,000 | 0.65 |
| | **79,479,949** | **64.76** |

## SUBSTANTIAL HOLDERS

The Company has received the following substantial Shareholder notices:

| | Number held | Ordinary shares % of total shares issued |
|---|---|---|
| IOOF Holdings Limited | 15,929,059* | 12.98 |
| Charles Jobson and Jobson Family Foundation | 6,678,551* | 5.44 |
| Ellerston Capital Limited | 1,749,196* | 1.43 |

* The number of shares noted above have been adjusted to reflect the consolidation of capital which took place during the financial year.

## 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 2019 | 2,142,857 |
| Fully paid ordinary shares | 1 August 2020 | 2,142,857 |
| | | 4,285,714 |

## CONSISTENCY WITH BUSINESS OBJECTIVES - ASX LISTING RULE 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are to invest in businesses within the food and beverage industry whether they manufacture or distribute the products themselves or are businesses which are complementary to the food and beverage industry. The Group's acquisition of its 48% interest in Maggie Beer Products (MBP) was the first proposed investment in the premium food and beverage market.

During the financial year, the Board reviewed a number of investment opportunities but had yet to identify an appropriate wealth creating opportunity and completed the acquisition of B -d Farm Paris Creek Pty Ltd in December 2017.

The consolidated entity believes it has used its cash in a consistent manner to which was disclosed under the Supplementary Prospectus dated 27 June 2016 and the Prospectus dated 20 June 2016.

18

LONGTABLE GROUP

# 2018 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 2018 Annual Report.

This Statement is current as at 30 June 2018 and has been approved by the Board of Directors of Longtable Group Limited.

# 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 has guidelines for the appointment and selection of the Board which requires the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for 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 will be provided to security holders 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. Non-executive Directors enter into appointment letters that cover the Director's role and responsibilities, remuneration, independence and confidentiality.

Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2018 Annual Report.

**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.

Under the Company's governance framework, 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 proportion of women on the Board, in senior executive positions and women across the entire organisation as at 30 June 2018 was as follows:

- Women on the Board – 25%
- Women in senior executive positions – 25%
- Women across the entire organisation – 39.8%

In accordance with its Diversity Policy the Board will establish measurable objectives for achieving gender diversity during the FY2019 financial year. The measurable objectives to be set by the Board will be included in the annual key performance indicators for the MD and senior executives. In addition, the Board will review progress against the objectives in its annual performance assessment.

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 2018 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 did not take place during FY2018 due to the size of the Company for the majority of the year. The Board has commenced a performance assessment and will carry out the relevant review of the results in due course.

**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.

The first Senior Executive appointment for the Company was the appointment of the Managing Director and CEO in August 2018 followed by the Chief Financial Officer in January 2018.

A performance evaluation was not carried out during the year and will be carried out following the first 12 months of employment.

# 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
- Tony Robinson – Independent Member
- Tom Kiing – Independent Member

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

There were no meetings held for the Nomination & Remuneration Committee during the financial year ended 30 June 2018.

**Recommendation 2.2: Board Skills Matrix**

The Company has a Board skills matrix setting out the mix of skills and diversity that the Board is looking to achieve (refer to Section 3 of the Board Charter). As the Company continues to grow, the Board's skills matrix will be disclosed in future reporting periods.

Full details of each Directors' relevant skills and experience are set out in the 2018 Directors' Report.

**Recommendation 2.3: Independent Directors**

An independent Director is a Non-Executive Director who is not a member of management and 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.

The Board assesses the independence of each Non-Executive Director considering the information that each Director is required to disclose in relation to any material contract or other relationship with the Company, in accordance with the director's terms of appointment, the Corporations Act 2001, and the Board Charter.

When appointing an independent Director or reviewing the independence of its Directors, the Board will have regard to the definition of independent Director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a Director set out in Recommendation 2.3.

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

The Board considers the Non-Executive directors to be independent having regard to the indicia in Box 2.3 in the ASX Recommendations. The Board has considered the holdings of shares in the Company by these Non-Executive directors and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director. The Board also considers that they are otherwise free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and that each of these Directors is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

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 Board's assessment of each current Director is set out below.

| Name | Position | Appointment date | Status |
|---|---|---|---|
| Laura McBain | Managing Director | 8 August 2017 | Non-Independent |
| Tom Kiing | Non-Executive Director | 29 July 2008 | Independent |
| Tony Robinson | Non-Executive Chairman | 26 October 2015 | Independent |
| Hugh Robertson | Non-Executive Director | 26 October 2015 | Independent |

**Recommendation 2.4: Majority Independence**
As at the date of this Statement, three of the four Directors are deemed independent and the Company does have a majority of independent directors.

**Recommendation 2.5: Board Chair**
The Chair, Tony 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 Tony 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 entity. 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. At the date of this report the Committee comprises of three members, all of whom are independent Directors. The Chair of the Committee is considered independent and is not the Chair of the Board. The Audit Committee membership is provided below:

- Tom Kiing – Independent Chairman
- Tony 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 2018 Directors' Report.

**Recommendation 4.2: Assurances**

The MD and Chief Financial Officer (**CFO**) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2018 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. On this basis, the 2018 full year financial results were approved by the Board.

**Recommendation 4.3: External Auditor**

Our external auditor, Deloitte Touche Tohmatsu (**Deloitte**). Deloitte attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Deloitte's independence declaration is contained in the Directors' Report in our 2018 Annual Report.

The external auditor was present at the 2017 AGM.

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

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

Reviewing compliance with relevant laws and regulations.

At the date of this report the Committee comprises of three members, all of whom are independent Directors and the Chair of the Committee is not the Chair of the Board as follows:

- Tom Kiing – Independent Chairman
- Tony 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 2018 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 not carried out during the financial year ended 30 June 2018 as the Company was in a transformational phase. The Board is in the process of reviewing its risk management framework to be implemented over the coming months. Following the recent acquisitions of new businesses, the Company will continue to implement risk management policies to ensure an effective framework is achieved.

**Recommendation 7.3: Internal Audit**
The Audit Committee Charter provides for the 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; an

(ii) the Audit Committee will periodically undertake an internal review of financial systems and processes 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 Committee has guidelines for the nomination and selection of Directors and for the operation of the Board. At the date of this report the Committee comprises of three members, all of whom are independent Directors as follows:

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

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

There were no meetings held for the Nomination & Remuneration Committee during the financial year ended 30 June 2018.

**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.

(previously Primary Opinion Limited)
ABN 69 092 817 171

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