Longtable Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Longtable Group Limited
ABN:	69 092 817 171
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

				$'000
Total revenue from ordinary activities	up	108.5%	to	23,157
Loss from ordinary activities after tax attributable to the owners of Longtable Group Limited	up	150.4%	to	(11,853)
Loss for the half-year attributable to the owners of Longtable Group Limited	up	150.4%	to	(11,853)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The consolidated entity reported a net loss of $11.9 million for the financial period (31 December 2018: $4.7 million loss). Included in the net loss for the half-year period are a non-operating, non-cash impairment of Paris Creek Farms' goodwill of $12.1 million (31 December 2018: nil), depreciation and amortisation expense of $1.6 million (31 December 2018: $0.6 million) and a tax benefit of $2.5 million (31 December 2018: nil).

Financial position
The net assets of the consolidated entity decreased by $12.0 million to $51.0 million (30 June 2019: $63.0 million). The decrease during the period was largely the result of the net loss for the period including the non-operating, non-cash impairment of Paris Creek Farms' goodwill of $12.1 million.

Review of operations

Financial Performance

The Group's statutory financial results for the 6 months ended 31 December 2019 (H1 FY20) continued to reflect a period of transformational change for the company hence the results are not fully representative of the true performance of the underlying businesses.

The Group achieved revenue of $23.0 million for H1 FY20, incorporating the full first half year of St David Dairy and Maggie Beer Products while comparatives show only 5 months of activities for St David Dairy (acquired on 1 August 2018) and 48% of Maggie Beer Products net profit as an associate (acquisition of the remaining 52% on 15 April 2019). The Group incurred a loss after tax of $11.9 million (H1 FY19 loss: $4.7 million) due to:

- A non-cash, non-operating goodwill impairment expense of $12.1 million relating to Paris Creek Farms, reducing goodwill to nil for Paris Creek Farms (30 June 2019 balance: $12.1m);
- Continued good performance in Maggie Beer Products with improved EBITDA;
- Sustained sales growth and double-digit EBITDA margin % at St David Dairy;
- Improving sales and reduced operating costs at Paris Creek Farms;
- Reduction in corporate costs

Revenue and Costs

Maggie Beer Products

Maggie Beer Products continued to deliver strong results with H1 FY20 EBITDA increasing 12% at $1.6 million on prior year (H1 FY19: $1.5 million) and EBITDA margin 1.9pt better at 14.4% of net sales (H1 FY19: 12.5%).

Net sales at $11.3 million were 4% behind the same period last year (H1 FY19: $11.8m) which was a result of lower sales to a lower margin major retailer, but with an increase in sales to higher margin Independent retailers. Fruit paste was still the number one selling line, with cheese, stocks and pate contributing strongly.

Continuing from the successful Q4 FY18 restructure and cost out initiatives reducing labour, selling, marketing and overhead expenses, total expenses as a % of net sales reduced 2pt to 35% (H1 FY19: 37%) with further savings in labour costs.

Cost base is expected to continue to be refined in H2 FY20 while it may increase as a % of sales as Maggie Beer Products traditionally enjoy stronger sales in H1 compared to H2.

Paris Creek Farms

H1 FY20 performance for Paris Creek Farms shows the results of the changes implemented in Q4 FY19 and H1 FY20 with a reduced cost base and an improving EBITDA.

Net sales of $7.8 million for H1 FY20 were only down 2% compared to H1 FY19 ($8.0 million), but up 13% compared to H2 FY19 ($6.9 million) and reflected growth returning in rebranded products in supermarkets in SA and strengthening relationships with key customers in major and independent markets, amongst other initiatives implemented since H2 FY19.

Whilst gross profit of $3.1 million for H1 FY20 reflected higher raw milk cost and growth in private label sales compared to H1 FY19 ($3.4 million), gross margin at 40.1% regained some grounds to finish only 2.2pt behind H1 FY19 (42.3%).

Paris Creek Farms' farmers continue to deliver milk in accordance with the supply growth trajectory, with excess milk over the spring months being on-sold to other parties.

Significant savings resulted from successful costs reduction initiatives implemented in Q4 FY19 and continued into H1 FY20 with total expenses reduced by $1.2m in H1 FY20 vs H1 FY19. Labour costs reduced significantly with H1 FY20 10pt lower than H1 FY19 as a % of sales.

Overall, excluding H1 FY19 non-recurring significant items, Paris Creek Farms H1 FY20 EBITDA is c. $1.0 million better than the same period last year, with the business moving towards generating positive cash flows and EBITDA run rate.

St David Dairy

Since acquisition of the St David Dairy business on 1 August 2018, this business has delivered continued revenue growth and increased customer numbers. Sales in H1 FY20 were up 17% to $4.2 million (H1 FY19: $3.6 million), with the number of ordering customers (stores/cafes) up 20%.

Milk continues to be the largest product category at 67% of total net sales (H1 FY19: 74%) but with increase cream and butter sales and the introduction of plant based milk has seen some diversification with its share decreasing slightly. Milk sales increased 5% in H1 FY20 vs H1 FY19 while butter and cream demonstrated significant sales growth increasing by 34% compared to H1 FY19 and now comprises 23% of sales (H1 FY19: 19%). The continuing growth in demand by our Sydney based distributor, coupled with an increased demand by bakeries and restaurants contributed to the growth in butter and cream sales.

Gross Profit (GP) reflected the positive sales performance for the period however gross margin % was adversely impacted by increasing costs milk (+17% compared to H1 FY19) and cream (+13% compared to H1 FY19). EBITDA of $0.5m for H1 FY20 was directly impacted by raw material cost increases and an ageing truck fleet, while labour costs were broadly in line with H1 FY19 as a % of sales. St David Dairy's ageing fleet of delivery trucks was replaced in February 2020 to reduce delivery costs and improve GP margin in H2 FY20.

Sales and EBITDA growth are expected in H2 FY20 given the continued focus on high levels of customer service, outstanding quality products, renewal of trucks fleet, and the stabilising of labour costs.

Corporate

Shared services and corporate office costs of $2.2 million for H1 FY20 were $0.2 million less than H1 FY19, with employee costs the most significant component. H1 FY20 included one off costs of $0.4 million (H1 FY19: nil) related to the corporate office restructure.

The corporate office was realigned to suit current group requirements and to include key team members in Victoria with the office relocated to a more modest location. Group office costs have been reduced by up to $150k a month on an annual basis.

Balance Sheet

The Group is supported by a balance sheet with net assets of $51.0 million (30 June 2019: 63.0 million), including a cash balance of $5.1 million at 31 December 2019 (30 June 2019: $9.8 million).

The decrease in net assets is mainly a result of the $12.1 million full impairment of Paris Creek Farms' goodwill (30 June 2019 PCF goodwill balance: $12.1 million).

Cash funding to Paris Creek Farms in H1 FY20 and restructure costs for the corporate office, coupled with Maggie Beer Products' strong sales in Q2 FY20 not yet collected, are reflected in the cash balance decrease since 30 June 2019. With a reduced cost base, sales in Paris Creek Farms trending better and collection from Maggie Beer Products seasonal sales, the company is expecting to be cash flow generating by the end of H2 FY20.

Inventory at 31 December 2019 was $3.3 million (30 June 2019: $3.6 million) or 7.2% of annualised sales (FY19: 8.5%), with Maggie Beer Products holding $2.3 million of stock (30 June 2019: $2.7 million) and Paris Creek Farms $0.9 million (30 June 2019: $0.8 million) reflecting Maggie Beer Products high seasonal sales in the first half of the financial year. Overall working capital for the company is at c. 14% of sales and is expected to benefit from H1 FY20 sales collection in H2 FY20.

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

Outlook

After much change the Group anticipates that FY20 will position the Group to capitalise on opportunities for its growth assets to deliver long term growth for the Group.

During H2 FY20, growth for all businesses will primarily come from increasing distribution and availability of the products in the portfolio to new customers and markets, with potentially some new product launches for Maggie Beer Products in Q4 FY20. The portfolio of brands and products continue to be on trend in FMCG: delivering core trends in localisation, premiumisation and wellness attributes. They are therefore well placed to grow and underpin the Group's expansion.

Cost management and further group synergies will continue to be a core focus of the group together with growing its footprint in the premium food and beverage market through new product development and increasing sales from our current range in both existing and new markets .

The Group continues on its trajectory to becoming cash flow generating by the end of H2 FY20 and while completing the business turnaround, it will review the growth opportunities within the current group.

The Board is highly confident in the business turnaround in FY20 and the Group's ability to deliver future growth and shareholder value.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	13.50	14.34

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Report.

11. Attachments

Details of attachments (if any):

The Half-Year Report of Longtable Group Limited for the half-year ended 31 December 2019 is attached.

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12. Signed

Signed ______________________________ Date: 25 February 2020

Tom Kiing
Non-Executive Director

Longtable Group Limited

ABN 69 092 817 171

Half-Year Report - 31 December 2019

Directors	Hugh Robertson (Non-executive Director) Tom Kiing (Non-executive Director) Maggie Beer (Non-executive Director)
Chief Executive officer	Chantale Millard
Company secretary	Clinton Orr
Registered office	2 Keith St Tanunda, SA 5352 Tel: +613 8539 4875
Principal place of business	2 Keith St Tanunda, SA 5352 Tel: +613 8539 4875
Share register	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 GPO Box 3993, Sydney NSW 2001 Tel: 1800 000 639 Fax: (02) 9279 0664
Auditor	PricewaterhouseCoopers Level 19/2 Riverside Quay Southbank VIC 3006
Stock exchange listing	Longtable Group Limited shares are listed on the Australian Securities Exchange (ASX code: LON)
Website	www.longtablegroup.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Longtable Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Tony Robinson (Non-executive Chairman) (retired 29 November 2019)
Hugh Robertson (Non-executive Director)
Tom Kiing (Non-executive Director)
Laura McBain (Managing Director) (resigned 27 November 2019)
Maggie Beer (Non-executive Director)

Principal activities

During the financial half-year, the principal continuing activities of company were the expansion of its activities in the food and beverage industry with a focus on premium products.

Review of operations

The consolidated entity reported a net loss of $11.9 million for the financial period (31 December 2018: $4.7 million loss). Included in the net loss for the half-year period are a non-operating, non-cash impairment of Paris Creek Farms’ goodwill of $12.1 million (31 December 2018: nil), depreciation and amortisation expense of $1.6 million (31 December 2018: $0.6 million) and a tax benefit of $2.5 million (31 December 2018: nil).

The net assets of the consolidated entity decreased by $12.0 million to $51.0 million (30 June 2019: $63.0 million). The decrease during the period was largely the result of the net loss for the period including the non-operating, non-cash impairment of Paris Creek Farms’ goodwill of $12.1 million.

A summary of the consolidated entity’s review of operations for the six-month period is included in the Appendix 4D, which is attached to this half-year report.

Significant changes in the state of affairs

On 30 October 2019 the Company announced the resignation of Laura McBain as Managing Director and Chief Executive Officer, and the appointment of Chantale Millard as the Acting CEO. The resignation took effect on 27 November 2019, with Chantale Millard being appointed the Chief Executive Officer on 29 November 2019.

On 27 November 2019 the Company announced the resignation of Michael Caragounis as Chief Financial Officer of the Company at the end of January 2020.

On 29 November 2019 the Company announced that Tony Robinson had retired as the Chairman and Non-Executive Director of the Company.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 the directors' report and financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless otherwise indicated.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Tom Kiing
Non-executive Director

25 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Longtable Group Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of Longtable Group Limited and the entities it controlled during the period.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
25 February 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Longtable Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Revenue		23,045	11,014
Other income		112	91
Total revenue		23,157	11,105
Expenses			
Raw materials and consumables used		(11,841)	(6,308)
Overheads		(787)	(788)
Occupancy and utilities costs		(620)	(707)
Employee benefits expense		(6,574)	(4,739)
Impairment expense		(12,068)	-
Transportation expense		(1,710)	(856)
Professional fees		(415)	(798)
Marketing and advertising expense		(465)	(474)
Other expenses		(1,194)	(1,007)
Depreciation expense		(1,162)	(552)
Amortisation expense		(484)	-
Finance costs		(140)	(10)
Gain / (loss) related to investment in associates		-	400
Loss before income tax benefit		(14,303)	(4,734)
Income tax benefit		2,450	-
Loss after income tax benefit for the half-year attributable to the owners of Longtable Group Limited		(11,853)	(4,734)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Longtable Group Limited		(11,853)	(4,734)
		Cents	**Cents**
Basic earnings per share	12	(5.72)	(3.92)
Diluted earnings per share	12	(5.72)	(3.92)

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

Longtable Group Limited
Statement of financial position
As at 31 December 2019

	Note	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		5,123	9,819
Trade and other receivables		7,937	6,562
Inventories		3,343	3,628
Other current assets		920	406
Total current assets		17,323	20,415
Non-current assets			
Property, plant and equipment		18,901	19,131
Right-of-use assets	2(a)	2,234	-
Intangibles	5	24,382	34,739
Total non-current assets		45,517	53,870
Total assets		62,840	74,285
Liabilities			
Current liabilities			
Trade and other payables		5,536	6,848
Other current financial liabilities		1,029	1,193
Employee benefits		1,199	1,346
Total current liabilities		7,764	9,387
Non-current liabilities			
Other non-current financial liabilities		3,950	1,798
Employee benefits		129	136
Total non-current liabilities		4,079	1,934
Total liabilities		11,843	11,321
Net assets		50,997	62,964
Equity			
Issued capital	6	120,695	120,695
Reserves	7	1,635	1,721
Accumulated losses		(71,333)	(59,452)
Total equity		50,997	62,964

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

Consolidated	Contributed equity $'000	Share based payments reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	97,224	1,594	(35,292)	63,526
Loss after income tax expense for the half-year	-	-	(4,734)	(4,734)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,734)	(4,734)
Transactions with owners in their capacity as owners:				
Contributions of equity (note 6)	7,699	-	-	7,699
Cost of capital raising (note 6)	(227)	-	-	(227)
Share based payments (note 7)	-	89	-	89
Balance at 31 December 2018	104,696	1,683	(40,026)	66,353

Consolidated	Contributed equity $'000	Share based payments reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	120,695	1,721	(59,452)	62,964
Adjustment for adoption of AASB 16	-	-	(28)	(28)
Balance at 1 July 2019 - restated	120,695	1,721	(59,480)	62,936
Loss after income tax benefit for the half-year	-	-	(11,853)	(11,853)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(11,853)	(11,853)
Transactions with owners in their capacity as owners:				
Share-based payments (note 13)	-	(86)	-	(86)
Balance at 31 December 2019	120,695	1,635	(71,333)	50,997

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

Longtable Group Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated 31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers and others		21,570	11,646
Payments to suppliers and employees		(24,919)	(15,326)
Interest received		112	41
Income taxes (paid) / refunded		-	(31)
Net cash used in operating activities		(3,237)	(3,670)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	10	-	(11,337)
Payments for property, plant and equipment		(932)	(523)
Payments for intangibles	5	(132)	-
Net cash used in investing activities		(1,064)	(11,860)
Cash flows from financing activities			
Proceeds from issue of shares	6	-	4,999
Payments for share issue costs	6	-	(227)
Principal elements of lease (December 2018 - finance lease payments)		(127)	(36)
Repayment of borrowings		(128)	-
Finance costs paid		(140)	(10)
Net cash from/(used in) financing activities		(395)	4,726
Net decrease in cash and cash equivalents		(4,696)	(10,804)
Cash and cash equivalents at the beginning of the financial half-year		9,819	14,782
Cash and cash equivalents at the end of the financial half-year		5,123	3,978

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

Note 1. General information

The financial statements cover Longtable Group Limited as a consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

The Company is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

2 Keith St
Tanunda, SA 5352
Tel: +613 8539 4875

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2020.

Going Concern

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

For the half year ended 31 December 2019, the consolidated entity has incurred losses of $11.9 million (2019: $4.7 million), including a non-operating, non-cash impairment of Paris Creek Farms' goodwill of $12.1 million (31 December 2018: nil), and incurred net cash outflows of $3.2 million from operations (2019: $3.7 million).

There have been significant changes to the structure and operations of the business over the past 18 months and the Company expects its normal cash flows over the next 12 months from the date of signing to be sufficient to continue as a going concern.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New Accounting Standards and Interpretations Adopted

AASB 16 Leases

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 below.
The group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019

Note 2. Significant accounting policies (continued)

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.0%

	1 July 2019 $'000
Operating lease commitments as at 30 June 2019	2,680
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(238)
Add: finance lease liabilities not previously recognised as at 30 June 2019	235
Lease liabilities recognised as at 1 July 2019	2,677
Of which are:	
Current lease liabilities	725
Non-current lease liabilities	1,952
	2,677

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The recognised right-of-use assets relate to the following types of assets

	31 December 2019 $'000	**30 June 2019 $'000**
Properties	2,037	2,415
Equipment	197	231
Total right-of-use assets	2,234	2,646

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by $2.65 million
- lease liabilities – increase by $2.68 million

Note 2. Significant accounting policies (continued)

The net impact on retained earnings on 1 July 2019 was a decrease of $0.03 million.

(i) Impact on segment disclosures and earnings per share

EBITDA, segment assets and segment liabilities for 31 December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	EBITDA $'000	Segment assets $'000	Segment liabilities $'000
Maggie Beer Products	260	1,596	1,629
Paris Creek Farms	12	85	86
St David Dairy	96	32	37
Other segment	72	521	546
	440	2,234	2,298

Earnings per share decreased by 0.02c per share for the six months to 31 December 2019 as a result of the adoption of AASB 16.

(ii) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

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 the director's report and financial statements have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless otherwise indicated.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments
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 Chief Executive Officer (the Chief Operating Decision Maker) in order to allocate resources to the segment and to assess its performance.
There are currently four operating segments under the criteria set out in AASB 8, being B.-d Farm Paris Creek Pty Ltd ("Paris Creek Farms"), St David Dairy Pty Ltd ("St David Dairy"), Maggie Beer Products Pty Ltd ("MBP") and other corporate costs. Information regarding these segments is set out below.
All operations were in Australia for both current and comparative period.

Consolidated - 31 December 2019	**Paris Creek Farms $'000**	**St David Dairy $'000**	**MBP $'000**	**Other segments $'000**	**Total $'000**
Revenue					
Sales to external customers	7,824	4,192	11,339	-	23,355
Intersegment sales	(310)	-	-	-	(310)
Total sales revenue	7,514	4,192	11,339	-	23,045
Other revenue	-	-	103	9	112
Total revenue	7,514	4,192	11,442	9	23,157
Profit/(loss) before income tax expense, impairment and fair value gain	(1,414)	460	1,383	(2,664)	(2,235)
Impairment expense	(12,068)	-	-	-	(12,068)
Profit/(loss) before income tax benefit	(13,482)	460	1,383	(2,664)	(14,303)
Income tax benefit					2,450
Loss after income tax benefit					(11,853)
Assets					
Segment assets	19,143	16,959	27,502	10,350	73,954
Intersegment eliminations					(11,114)
Total assets					62,840
Liabilities					
Segment liabilities	20,341	553	4,047	2,206	27,147
Intersegment eliminations					(15,304)
Total liabilities					11,843

Note 3. Operating segments (continued)

Consolidated - 31 December 2018	Paris Creek Farms $'000	St David Dairy $'000	MBP $'000	Other segments $'000	Total $'000
Revenue					
Sales to external customers	8,015	2,999	-	-	11,014
Other revenue	50	-	-	41	91
Total revenue	8,065	2,999	-	41	11,105
Profit/(loss) before income tax expense	(3,185)	477	-	(2,026)	(4,734)
Income tax expense					-
Loss after income tax expense					(4,734)
Consolidated - 30 June 2019					
Assets					
Segment assets	30,546	16,636	26,428	11,806	85,416
Intersegment eliminations					(11,131)
Total assets					74,285
Liabilities					
Segment liabilities	18,010	1,523	5,477	1,395	26,405
Intersegment eliminations					(15,084)
Total liabilities					11,321

Note 4. Significant items

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

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

	Consolidated	
	31 December 2019	31 December 2018
New product launch transitional costs	-	408
Redundancy	474	139
Net cost of excess raw milk	-	298
Consultant fees (ex Paris Creek Farms vendors)	-	117
Packaging refresh	135	-
Litigation costs	61	-
Total significant items	670	962

Note 5. Non-current assets - intangibles

	Consolidated 31 December 2019 $'000	30 June 2019 $'000
Goodwill - at cost	29,150	27,086
Less: Impairment	(12,068)	-
	17,082	27,086
Brand	6,650	6,650
Less: Accumulated amortisation	(624)	(292)
	6,026	6,358
Customer contracts	1,515	1,515
Less: Accumulated amortisation	(429)	(278)
	1,086	1,237
Other intangible assets	260	112
Less: Accumulated amortisation	(72)	(54)
	188	58
	24,382	34,739

Recoverable amount of goodwill
In accordance with AASB 136, impairment testing has been undertaken for all cash generating units (CGUs) with indefinite intangibles where there is an indication of impairment. There was no indication of impairment for St David Dairy and Maggie Beer Products' goodwill at 31 December 19 and no impairment testing was deemed necessary.

At 31 December 2019, for Paris Creek Farms the recoverable amount has been determined based on value-in-use calculations which uses cash flow projections based on financial forecasts covering a five-year period, including cash and non-cash adjustments such as changes in working capital, depreciation and amortisation, and maintenance capital expenditure. Cash flows are extrapolated using estimated growth rates beyond the five-year period.

Key assumptions used in the value-in-use calculations for the Paris Creek Farms CGU are based on management's latest forecast for financial year 2020 and updated key inputs to reflect the current outlook on growth, following a review of sales forecasts, the impact of raw milk price increases, expected future milk volumes and the impact on the cost base following cost out initiatives for the latter years.

Revenue growth
Revenue growth over the five-year period is based upon forecasted revenue on a business-as-usual basis and assumes no New Products Development or new geographies (in accordance with AASB 136); is in line with the processing capability and capacity of the business unit; is underpinned by estimated increases in milk intake volumes; and supported by modest market price increases to mitigate the cost increase in raw milk. Average revenue growth over the forecast period is anticipated to be c.9% per annum.

Costs
Overall forecast costs are based on past performance incorporating recent restructure initiatives and implemented cost savings and management's expectations for the future. Raw biodynamic organic milk price and volume are assumed to increase at a moderate pace in H2 FY20 and FY21. Further price increases are expected to be absorbed by volume and efficiency gains in subsequent years.

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

Note 5. Non-current assets - intangibles (continued)

Post-tax discount rate
Discount rates represent the current market assessment of the risks relating to the relevant CGU. In performing the value-in-use calculations for the CGU, the Group has applied a post-tax discount rate of 9.58% per annum, unchanged from 30 June 2019.

Review outcome
In completing the impairment review based on the aforementioned business-as-usual assumptions, the carrying value of goodwill for Paris Creek Farms was impaired by $12.1m, reducing the goodwill for Paris Creek Farms to nil.

Note 6. Equity - issued capital

	Consolidated			
	31 December 2019 Shares	**30 June 2019 Shares**	**31 December 2019 $'000**	**30 June 2019 $'000**
Ordinary shares - fully paid	207,261,291	207,151,292	120,695	120,695

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	1 July 2019	207,151,292		120,695
Conversion of performance rights to ordinary shares upon vesting	10 December 2019	109,999	n/a	-
Balance	31 December 2019	207,261,291		120,695

Note 7. Equity - reserves

	Consolidated	
	31 December 2019 $'000	**30 June 2019 $'000**
Share based payments reserve	1,635	1,721

Movements in reserves
Movements in share-based payments reserve during the current and previous financial half-year are set out below:

Consolidated	**Share based payments reserve $'000**	**Total $'000**
Balance at 1 July 2019	1,721	1,721
Share based payments*	(86)	(86)
Balance at 31 December 2019	1,635	1,635

* The decrease in the share-based payment reserve during the financial period has resulted from the forfeiture of options and performance rights previously expensed.

Note 8. Equity - dividends

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

Note 9. Contingent assets and liabilities

The directors are not aware of any contingent assets or contingent liabilities as at 31 December 2019 (2018: Nil).

Note 10. Business combinations

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

At the date of finalisation of the half year report, the consolidated entity has finalised its analysis on whether all identifiable intangible assets have been recognised and vendor warranties and representations met. Accordingly, the initial accounting for the acquisition of St David Dairy has definitively determined at the end of the reporting period. For tax purposes, the tax values of St David Dairy's assets are required to be reset based on market values of the assets when admitted into the tax consolidated group.

The acquired business contributed revenues of $6.6 million and a profit after tax of $0.6 million to the consolidated entity for the period ending 30 June 2019.
The trade and other receivables on date of acquisition is equivalent to the gross contractual receivables acquired less expected credit loss.
The goodwill is not deductible for tax purposes.

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

	Fair value $'000
Cash and cash equivalents	169
Trade and other receivables	811
Other current assets	19
Inventories	53
Plant and equipment	438
Motor vehicles	245
Brand	2,163
Customer contracts	1,515
Trade and other payables	(436)
Other current liabilities	(725)
Deferred tax liability	(1,104)
Net assets acquired	3,148
Goodwill	11,802
Acquisition-date fair value of the total consideration transferred	14,950
Representing:	
Cash paid to vendors	12,250
Longtable Group Limited shares issued to vendor	
Value of share issued at fair value issue price of $0.63 (63 cents) per share*	2,700
	14,950

Note 10. Business combinations (continued)

*The Company issued shares to vendors on completion of the acquisition of St David Dairy at a deemed issue price of $0.70 (70 cents) per share, with a total contract value of $3.0 million. However, under AASB 3 - Business Combination, the fair value of $2.7 million is calculated using $0.63 (63 cents) per share, being the closing share price on the date of shareholder approval (1 August 2018). This resulted in a decrease in the accounting value amounting by $0.3 million.

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

ii. Acquisition related costs
Acquisition-related costs amounting to $0.02 million are not included as part of consideration for the acquisition and have been recognised as transaction costs for the prior period ended 31 December 2018.

Note 10. Business combinations (continued)

Maggie Beer Products Pty Ltd ("MBP")

On 16 April 2019 Longtable Group Limited acquired the 52% of shares in MBP that it did not already own, for a mix of cash, shares and a convertible note.

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

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

The trade and other receivables on date of acquisition is equivalent to the gross contractual receivables acquired less expected credit loss. The goodwill is not deductible for tax purposes.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	3,972
Trade receivables	3,497
Inventories	2,147
Other current assets	143
Leasehold improvements	212
Plant and equipment	3,135
Brand	4,487
Other intangible assets	58
Trade payables	(1,602)
Borrowings	(1,139)
Employee benefits provisions	(481)
Related party loans	(977)
Deferred tax liability	(1,346)
Net assets acquired	12,106
Goodwill	5,279
Acquisition-date fair value of the total consideration transferred	17,385
Representing:	
Fair value of 48% equity interest previously held	7,385
Cash paid or payable to vendor	8,500
Longtable Group Limited shares issued to vendor	1,000
Longtable Group Limited Convertible note	500
	17,385

i. Consideration transferred

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

The deemed issue price of the ordinary shares issued to vendor was $0.20 (20 cents) per ordinary share.

The shares have been escrowed until 15 April 2021. The fair value of the convertible note issued was $0.5 million, with terms including:

Note 10. Business combinations (continued)

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

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

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 12. Earnings per share

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Loss after income tax attributable to the owners of Longtable Group Limited	(11,853)	(4,734)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	207,164,257	120,819,280
Weighted average number of ordinary shares used in calculating diluted earnings per share	207,164,257	120,819,280
	Cents	Cents
Basic earnings per share	(5.72)	(3.92)
Diluted earnings per share	(5.72)	(3.92)

Note 13. Share based payments

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

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

31 December 2019

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
17/12/2013	17/12/2019	$1.500	50,321	-	-	(50,321)	-
17/12/2013	17/12/2020	$1.500	50,321	-	-	-	50,321
07/08/2017	07/08/2017	$0.500	2,800,000	-	-	-	2,800,000
28/11/2018	30/06/2020	$0.750	1,132,000	-	-	(1,132,000)	-
28/11/2018	30/06/2021	$0.750	4,528,000	-	-	(4,528,000)	-
			8,560,642	-	-	(5,710,321)	2,850,321

Options granted on 07/08/2017, which vested on the same day, have an exercise date of 27/05/2020, six months after Laura McBain’s resignation date.

Note 13. Share based payments (continued)

31 December 2018

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
17/12/2013	17/12/2018	$1.500	50,321	-	-	(50,321)	-
17/12/2013	17/12/2019	$1.500	50,321	-	-	-	50,321
17/12/2013	17/12/2020	$1.500	50,321	-	-	-	50,321
07/08/2017	07/08/2017	$0.500	2,800,000	-	-	-	2,800,000
28/11/2018	30/06/2020	$0.750	-	1,132,000	-	-	1,132,000
28/11/2018	30/06/2021	$0.750	-	4,528,000	-	-	4,528,000
			2,950,963	5,660,000	-	(50,321)	8,560,642

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

Grant date	Expiry date	31 December 2019 Number	31 December 2018 Number
28/11/2018	30/06/2019	-	120,000
28/11/2018	30/06/2020	20,000	120,000
28/11/2018	30/06/2021	40,000	360,000
		60,000	600,000

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Tom Kiing
Non-executive Director

25 February 2020

Independent auditor's review report to the members of Longtable Group Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Longtable Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Longtable Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Longtable Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake
Partner

Melbourne
25 February 2020