

ANNUAL REPORT 2023



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Welcome to our annual report

Lynch Group Holdings (ASX:LGL) ABN (35 608 542 219) is Australia's leading vertically integrated wholesaler and grower of flowers and potted plants.

In FY23 the Group achieved revenue growth in both its markets with margins impacted by 1H performance, in particular COVID related lockdowns and restrictions and significant disruption to global supply chains.

Australia delivered revenue growth underpinned by strong performance in the sale or return store network. Several initiatives were implemented to mitigate the impacts of tight labour markets and elevated international freight rates in the 1H, with the combination of these initiatives and the easing of labour markets and freight rates in the 2H improving margins.

China also achieved revenue growth predominately from volume, with the 1H severely disrupted from COVID impacts and the 2H experiencing strong customer activity levels up to June where conditions weakened from a fall in consumer sentiment and spending.

Included in this report is the Group's inaugural sustainability report.

2023 HIGHLIGHTS

FY23 Group Key Drivers

- **FY23 Revenue +8% and Pro-forma EBITDA in line with upgraded guidance.** Pro-forma EBITDA (-11%) against FY22
- **2H FY23 Revenue +10% and Pro-forma EBITDA +34% against FY22**
- **Australia revenue growth** demonstrating continued resilience of consumer demand, underpinned by particularly strong performance in sale or return store network
- **Australia 2H EBITDA +54% and China 2H EBITDA +21%** in line with upgraded guidance
- **Australia profit improvement initiatives delivered** improved 2H margin, also aided by reductions in international freight, and improved labour availability
- **China revenue growth** driven by volume with pricing generally below FY22. Demand during key event windows in 2H was strong
- **China 2H EBITDA margin ahead of 2H FY22** as a result of a post-COVID rebound in pricing and well-disciplined cost management
- **China farm operations** continued to operate and deliver volume gains despite 1H lockdowns and COVID restrictions. Greenhouse expansion restarted in 2H
- **Inaugural sustainability report** has been released as part of this annual report

Revenue (AUD \$m)

\$395m ↑
7.8% up on FY22

Pro-forma EBITDA (AUD \$m)

\$43m ↓
11.4% down on FY22

Pro-forma NPATA (AUD \$m)

\$16m ↓
36.6% down on FY22

Australia: Revenue growth maintained strong margin recovery in 2H

Revenue up

5% on FY22 ↑

Pro-forma EBITDA

Full year down **11%** on FY22 ↓

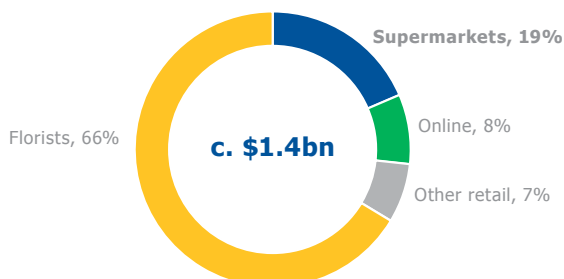
2H up **54%** on 2H FY22 ↑

- **Revenue growth** underpinned by stable consumer demand for floral product in our supermarket channel, and strong performance in sale or return (SOR) stores
- **Customer price increases** implemented to keep pace with inflationary cost increases
- **Issues with system implementation from a major customer largely resolved in 2H** after 1H revenue impacted by material order volatility
- **Key customer events** successfully delivered at record levels with supply side constraints moderating throughout the year
- **2H cost line improvement**, with international freight costs moderating. Labour availability improved requiring less overtime during key events
- **Relocation of NSW production facility** to purpose-built site in 1H with site now fully operational and blueprint for future relocations

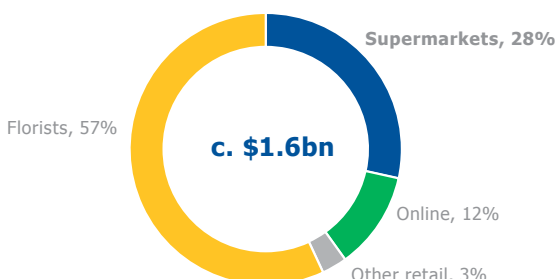
Revenue includes 53 weeks (FY22: 52 weeks) in Australia. Australia revenue growth was 3% excluding the additional week EBITDA and NPATA are Pro-forma as defined on page 23

Supermarket penetration of floral market increased to 28%

FY19 Australian floral market



FY23 Australian floral market



Source: IBISWorld, company websites, management representations

- **Supermarket share of Australian floral market increased from 19% in FY19 to 28% in FY23** with overall industry revenue 4-year CAGR c.3%
- **Supermarket share increasing at a faster rate than overall market** as supermarkets capture share despite lower retail price point compared to florists
- **Improving consumer perception of quality of supermarket floral offers and increasing ranging of gifting lines** has grown supermarket share at the expense of florists and other retail
- **Key consumer proposition** of quality, price, range and convenience remain essential to deliver growth in supermarket share
- **Significant upside remains** with UK supermarket penetration at >50%

China:

Volume performance exceeded expectations; pricing impacted by lockdowns (1H) and exit wave recovery (2H)

Revenue up

12% on FY22



EBITDA

Full year down **12%** on FY22



2H up **21%** on 2H FY22



- **Revenue growth** from increased production volumes of roses and expansion of tulip program
- **1H pricing** adversely affected by broad-based and highly restrictive COVID regulations
- **2H pricing rebounded strongly** during COVID exit wave, particularly during key February to May event windows. Significant softening in pricing post events as economic headwinds dampened consumer spending
- **Domestic volumes** to retail customers have remained stable
- **Cost lines** remain in line with internal targets with key costs of heating (energy) and labour on track
- **Greenhouse expansion** has recommenced in 2H with 3.5ha developed to increase the total greenhouse production area to 82ha

CHAIR AND CEO'S REPORT

Dear Shareholder,

Last year we reported on a successful first year as a listed enterprise against a backdrop of COVID related lockdowns and other restrictions, including navigating significant disruption to global supply chains. These challenges continued into FY23, albeit largely tailing off by the end of the December quarter.

Australia had returned to more normal operating conditions by the start of FY23, but the hangover of tight labour markets and elevated international freight rates persisted, creating a continued drag on margin. Several initiatives were implemented to mitigate these impacts, including pricing, product range optimisation and a focus on driving labour productivity. With labour markets easing and freight rates starting to normalise, margins recovered strongly in the second half.

China, which had managed through successfully for much of the pandemic, began to see increased infection rates from the end of FY22, increasing exponentially by December 2022. The government's adherence to its zero COVID policy caused ongoing disruptions to operations, particularly in local and export logistics, as well as to market demand and pricing, materially impacting the first half result. The sudden and immediate abandonment of the policy in early December 2022, allowed a rapid return to normal operations by January 2023, with a strong rebound in demand boosting sales through the major events across the second half. Other macroeconomic issues, however, resulted in a consumer spending slump from early June, and average selling prices fell sharply relative to the prior corresponding period. We believe these impacts to be transitory and remain enthusiastic about the growth potential of our China business and its ability to consistently deliver high returns on growth capital expenditure.

Australian Operations

The core of the Australian business is the national supply of floral and potted product to our supermarket customers. Whilst the Group has been supplying the Australian supermarket channel for over 30 years, the supermarket floral category continues to have significant long term growth potential. In the UK for instance, more than 50% of all floral products are sold through supermarkets. In Australia, that share has grown from 19% to 28% over the last 4 years, as the quality and value proposition of supermarket floral products has resonated with customers, and as value added bouquets, arrangements and potted products continue to drive gifting demand, particularly during key events. Our scale, innovation, worldwide sourcing capability and continued investment in our instore merchandising teams, have greatly changed the perception of supermarket flowers, providing key support to our supermarket customers as they drive increasing share of the overall floral industry.

With availability and cost greatly impacted by COVID related supply disruptions, the Group successfully navigated this period applying a combination of price increases, recipe and sourcing changes, and a pivot to higher value lines, to deliver a record revenue year under extraordinary circumstances.

The Group continued to optimise its new merchandising system that improves merchandiser productivity and allows the business to capture increased sales opportunities whilst minimising instore waste. The Group, with one of the largest independent merchandising teams in Australia, derives approximately 40% of its sales from Sale or Return (SOR) stores where the Group heavily influences in-store range, volumes and presentation, in conjunction with our supermarket customers. Growth in SOR store revenue was strongly ahead of core store growth (where ordering and display are managed internally by the supermarket customer) for the year, demonstrating the appeal and resilience of the category. Some volatility was experienced in core sales across the first half, as a major supermarket customer implemented an auto replenishment system to the floral category for the first time.

The value the Group brings to its supermarket customers is our ability to plan and manage a complex category. We trade in a highly perishable seasonal product that is sourced from Tier 1 growers in Australia and from around the world. Growing conditions can often vary season to season and supply chains are prone to disruption.

The Group's ability to switch sourcing, substitute climate-controlled sea freight in some instances for airfreight, and modify recipes, enabled a near perfect record of delivery in full and on time for our customers. Whilst the Group was successful in implementing price increases across its range, the speed of change in the logistics market meant that not all the additional costs could be recovered, and margin was lower than achieved historically. As these cost pressures abated in the second half, margin recovered strongly.

Labour market conditions improved through the year as labour availability returned to more normal levels. This enabled the company to operate efficient rosters, reducing the requirement for excessive overtime levels, particularly in the ramp up for major events. The move to a purpose-built facility in Ingleburn (NSW) was another major milestone which, through improved environmental control and facility design, has seen an improvement in both delivered quality of product and workforce productivity. Ingleburn is now the prototype for new facilities to be rolled out in other major markets.

Our in-house quality team works closely with Australian Biosecurity to ensure that imported product is effectively treated and screened to protect Australia from damaging pests



The Group's inaugural sustainability report provides detailed insights into the Group's investment, activities and focus areas across ESG initiatives.

and disease. We work actively with government authorities in each of our major countries of origin to achieve world's best practice in bio-security process design and execution, minimising rejection rates in Australia and building confidence in the quality of imported product.

The Group's three Australian farms support the Group with orchid and foliage plants and Australian wildflowers that are difficult to otherwise source at required specification, quality and volumes. This vertical integration of supply (including our farms in China) is a competitive advantage in maintaining consistency of service to our customers. We continued to invest in our Australian facilities to enhance our supply of key potted lines.

The Group is the largest importer of floral product into Australia. Our Markets sites distribute locally sourced products alongside

imported lines to other wholesalers and florists. With our hub operations in Flemington and Brisbane, and two satellite sites in Newcastle and Canberra, our Markets operation leverages our procurement scale, and provides additional flexibility in how we manage product flow. Additionally, the Markets business provides important real time market intelligence on price and product availability which feeds back into our supermarkets business.

For the year ended 2 July 2023, the Australian operations achieved Revenue of \$324m, 5% up on FY22, with Pro-forma EBITDA of \$21m, 11% down on 2022. Second half EBITDA was up 54% on the same period last year, reflecting ongoing margin recovery initiatives, and moderating international freight rates.

China Operations

Due to historical product quality issues associated with a fragmented and developing grower base, coupled with multi-layer ambient product distribution networks, the consumer market for floral products has been slow to develop. Today, the floral market in China is many times the size of most western markets, and consumer buying trends centred around self-consumption and gifting, particularly during key event periods, are emerging rapidly. Per capita spend rates on floral products remains low on a comparable international basis. The Group's China operation is the largest grower of premium flowers in the country, with four farms and a processing facility located in Yunnan province, and a distribution and bouquet making facility located in Shanghai.

The Group's access to premium floral genetics, investment in advanced growing infrastructure and systems, and direct distribution via its own contracted cool chain logistics, provides year-round supply of a high quality and unique product range to Chinese retail and wholesale customers at competitive prices. A large proportion of our farm production volume is sold to various retail platforms including supermarkets at fixed prices, suppressing the volatility of market prices, and allowing flexibility to maximise pricing opportunities in high demand festival windows across the year.

China's operating performance was a tale of two halves. The first half was severely disrupted with increasing COVID infection rates and the zero COVID policy response of the Chinese government. Whilst our four farms and processing facility remained operational throughout the half, quarantine restrictions and lockdowns shut down various essential components of the supply chain at different times. We were successful in selling all our product albeit at significantly reduced year on year pricing in the December quarter. As the government abandoned its strict zero COVID policy and the economy opened from the end of the first half, demand for floral products rebounded strongly from January, and we experienced strong customer activity levels across the major events in the second half. Weaker economic conditions from June saw a fall in consumer sentiment and spending. This coincided with peak summer supply and a resulting fall in product pricing. The market price volatility was highly unusual and is expected to normalise across FY24. Farm production rates were well ahead of plan and offset some of this weakness in pricing.

Revenue of \$97m was 12% up on 2022, with EBITDA of \$22m down 12% on FY22. Second half EBITDA was up 21% on the same period last year.



Lynch Group greenhouse facility – China



Revenue of \$395m was up 8% on FY22, with Pro-forma EBITDA of \$43m down 11% on FY22. Second half EBITDA was up 34% on the same period last year.

Lynch Group greenhouse facility – China

Volume growth across the year has been driven by farm expansion (3ha of new greenhouse construction during the year), and the increased maturity profile of our rose crops (18ha of greenhouse space added during FY22). The FY23 development program takes our total greenhouse space in production to 82ha.

We continue to control more of our downstream distribution to control quality, maximise margin, and insulate the business from the volatility of market pricing. The Shanghai distribution hub gets us closer to our customer and allows us to increase value add through the production of bouquets and arrangements. A further hub is planned to be opened in Guangzhou in FY24 and negotiations for the investment in a fifth farm are well advanced.

Included in this report is the Group's inaugural sustainability report. It provides detailed insights into the Group's investment, activities and focus areas across our environmental, social and governance (ESG) initiatives. Across FY23, the Group's ESG committee made substantial progress in building processes,

awareness and acceptance of shared responsibility, to foster and deliver improved ESG outcomes within our business over the long-term. The health and safety of our people remains a key priority for the Group with investment made during the year in our WHS roadmap to continue to support and protect our people.

We would like to recognise the incredible role played by our staff during the year. Their continued ability to find innovative solutions to problems, create beautiful designs and produce year-round quality product makes the Group a global leader in floral supply.



Patrick Elliott
Chair



Hugh Toll
CEO

DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial statements, of Lynch Group Holdings Limited (company) and its controlled entities (Group) for the financial year ended 2 July 2023. In order to comply with the provisions of the *Corporations Act 2001* (Cth), the Directors' report as follows:

Reporting periods

The current reporting period is the financial year ended 2 July 2023. This is the 53-week period from 27 June 2022 to 2 July 2023 and is referred to as June 2023 throughout the Directors' report, consolidated financial statements and notes to the consolidated financial statements.

The comparative reporting period is the financial year ended 26 June 2022. This is the 52-week period from 28 June 2021 to 26 June 2022 and is referred to as June 2022 throughout the Directors' report, consolidated financial statements and notes to the consolidated financial statements.

Directors and Secretary

The names and expertise, experience and qualifications of the Directors and Secretary of the company during and since the end of the financial year are set out below.



Patrick Elliott

Non-Executive Chair

Period of service: 6 November 2015 – Current

Patrick was appointed to the Board as Chair and Non-Executive Director in 2015.

Patrick is a Partner of Next Capital and co-founded the firm in 2005. In this capacity, Patrick sits on several Next Capital portfolio company boards. Patrick has previously served as Chair of the Australian Investment Council previously called Australian Venture Capital Association Limited (AVCAL) and was formerly Non-Executive Chair of ASX listed Scottish Pacific (between May 2013 and December 2018) and JB HiFi (between 2000 and 2012).

Prior to his role at Next Capital, Patrick was an Executive Director of Macquarie Bank having joined the private equity division in 1997. Before joining Macquarie, Patrick was a Partner with Australia's leading insolvency and restructuring specialist, Ferrier Hodgson.

Patrick holds a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales, and a Master of Business Administration from the IMD International Institute for Management Development.



Peter Arkell

Independent Non-Executive Director

Period of service: 16 February 2021 – Current

Peter was appointed to the Board in February 2021 as an independent Non-Executive Director.

Peter is currently the Managing Director of Carrington Day, a consulting company based in China which assists international companies to operate effectively in China. He was previously Non-Executive Director of the Group's China operations between January 2018 and February 2022.

Peter has been based in Shanghai since 2004. He is an active member of the international business community in China, having been on the board of Directors and Chair of AustCham Shanghai, the Australian Chamber of Commerce. He is the Chair of the Global Mining Association of China, the representative body of the international mining community in China. Peter is also a founder and Non-Executive Director of the GE Morrison Institute, a China Australia business focused think tank.

He was appointed for 2019-2024 to the panel of mediators of the Shenzhen International Mediation and Arbitration Centre of China Mining. In addition, Peter was a Board Member of the China International Mining Cooperation Committee, a sounding board for the Chinese Ministry of Commerce on outbound investment.

Peter has an extensive network at the most senior levels of international and Chinese business and government in China.

Peter is a member of each of the Audit and Risk Committee and the Remuneration and Nomination Committee.



Peter Clare

Independent Non-Executive Director

Period of service: 16 February 2021 – Current

Peter was appointed to the Board in February 2021 as an independent Non-Executive Director.

With an extensive corporate career in banking and broad industry experience, Peter has served on a variety of boards in the technology and finance industries in Australia and New Zealand. Peter is currently a Non-Executive Director of Heritage Bank and SilverChef.

Peter was formerly the CEO of Westpac New Zealand and prior to that, held numerous roles within Westpac and St. George and Commonwealth Bank. Peter's career began as an insolvency practitioner and included a number of years as a management consultant.

Peter holds a Bachelor of Commerce from the University of New South Wales and a Master of Business Administration from Macquarie University. Peter is also a member of the Australian Institute of Company Directors, Governance Institute of Australia and a fellow of CPA Australia and the Financial Services Institute of Australasia (FINSIA).

Peter is Chair of the Audit and Risk Committee and is a Member of the Remuneration and Nomination Committee.



Elizabeth Hallett

Independent Non-Executive Director

Period of service: 16 February 2021 – Current

Elizabeth was appointed to the Board in February 2021 as an independent Non-Executive Director.

Elizabeth is an experienced Non-Executive Director in the Australian corporate sector, bringing legal and regulatory, corporate governance, and risk management skills to the Board. Elizabeth is currently a Non-Executive Director on the boards of Australian Retirement Trust Pty Ltd, the Civil Aviation Safety Authority, NSW Land Registry Services and Clayton Utz. She is also a current reappointed member of the Australian Takeovers Panel.

Elizabeth was formerly a partner with an international law firm for 22 years, including more than three years as senior Australian partner in the firm's affiliated Jakarta office. At that firm, Elizabeth held global and national leadership roles (including membership of the global firm's Group Executive Committee).

Elizabeth holds a Bachelor of Commerce and Bachelor of Laws from the University of Melbourne, is a member of the Australian Institute of Company Directors (AICD) and is a Graduate of the AICD Company Directors' Course.

Elizabeth is Chair of the Remuneration and Nomination Committee and is a Member of the Audit and Risk Committee.



Hugh Toll

Group Chief Executive Officer and Executive Director

Period of service: 16 February 2021 – Current

Hugh was appointed as Group Chief Executive Officer of the Group in 2019 and sits on the Board as an Executive Director.

Hugh began his career at the Group in 2017 as General Manager Business Development, before moving into the role of Group Chief Financial Officer in 2018. Hugh has a deep understanding of the operational, financial, and marketing functions of the Group and has overall responsibility for the Group's strategy.

Hugh has an extensive investment banking background spanning over 20 years, having previously been an Investment Director at Next Capital, an Executive Director at Goldman Sachs Principal Investment Area, and a Division Director at Macquarie Direct Investment.

Hugh holds a Bachelor of Commerce and a Master of Commerce, both from the University of New South Wales.



Steve Wood

Group Chief Financial Officer and Company Secretary

Period of service: 29 August 2019 – Current

Steve is the Group Chief Financial Officer and Company Secretary, having joined the Group in 2018.

Steve has held senior finance positions in the retail, media, and manufacturing sectors over the last 15+ years. These include financial controller position at Network Ten (in its out of home media subsidiary) for over six years and at Toys R Us for over five years.

Steve is a qualified Chartered Accountant and is accredited with both CAANZ (Chartered Accountants Australia and New Zealand) and ICAEW (Institute of Chartered Accountants in England and Wales). Prior to the commercial accounting roles, Steve qualified as a Chartered Accountant in London in the early 2000s before transferring to Sydney in 2003 and continuing in the professional services sector until 2005.

Steve holds a Bachelor of Arts from Canterbury Christ Church University.

Directors' Meetings

The number of meetings of the Board and of each Board committee held during the current year, and the number of meetings attended by each Director were:

	Board		Remuneration & Nomination		Audit & Risk	
	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹
Patrick Elliott	11	12	–	–	–	–
Elizabeth Hallett	12	12	4	4	3	3
Peter Clare	12	12	4	4	3	3
Peter Arkell	12	12	4	4	3	3
Hugh Toll	11	12	–	–	–	–

¹ Represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Directors' interests in the company

	Fully paid ordinary shares			Share Options		
	Direct	Indirect	Total	Direct	Indirect	Total
Patrick Elliott	–	408,139	408,139	–	–	–
Elizabeth Hallett	27,777	–	27,777	–	–	–
Peter Clare	–	179,443	179,443	–	–	–
Peter Arkell	16,666	–	16,666	–	–	–
Hugh Toll	639,999	–	639,999	1,092,796	–	1,092,796

Share options

Unissued ordinary shares under options

Unissued ordinary shares of the company under option at the date of this report are:

Number of unissued ordinary shares under option	Issue Price	Expiry Date of Option
976,419	\$3.60	June 2027
3,130,042	\$2.24	June 2028
2,541,793	\$1.84	June 2029

All unissued shares will be converted into ordinary shares in the company immediately after exercise of the relevant option. No option holder has the right under options to participate in any other share issue of the Company.

Shares issued on exercise of options

During the current or the previous reporting period, the company did not issue any shares as a result of the exercise of options by members of the company's Senior Executive team.

Sustainability Reporting – Environmental, Social and Governance

Australia's floral industry faces a unique set of Environmental, Social and Governance (ESG) issues characterised by rapidly evolving stakeholder expectations and technology. As a leader in its industry, the Group is cognisant of its contribution to environmental and social issues. It also understands the importance of proactively and strategically managing these risks and opportunities for sustainable innovation, competitive differentiation and enhanced financial returns.

The Group is committed to the transparent reporting of its environmental, social and governance impact and policies and has produced its inaugural sustainability report as part of this annual report.

Diversity Policy

The Group is committed to establishing and maintaining an inclusive workplace that embraces and promotes diversity. There is a wide mix of cultural diversity within the Group in recognition of the value that individuals with diverse skills, values, backgrounds, and experiences bring and that the promotion of diversity, at all organisational levels, enhances creativity and innovation. The Group also recognises the strategic and personal advantages that arise from a workplace where decisions are based on merit and where all employees are treated equally, and that organisational performance is linked to an inclusive environment that embraces and promotes diversity.

The Group has adopted a Diversity Policy to ensure a work environment where people are treated fairly and with respect, notwithstanding their gender, ethnicity, ability, age, or educational experience. The Diversity Policy is approved by the Board and sets out the Group's commitment to diversity and inclusion in the workplace and provides a framework to achieve diversity goals. The Remuneration & Nomination Committee oversees the Diversity Policy, recommends annual, diversity-related measurable objectives, and assesses the progress in achieving them.

For the current reporting period, the Group set the target of a minimum composition for Board of Directors, Senior management team encompassing key decision makers and the workplace having regard to gender diversity of 30%. The results for the current reporting period are noted below:

Type	Target	Result
Board of Directors	Minimum composition of 30%	20% Female / 80% Male
Key decision makers	Minimum composition of 30%	37% Female / 63% Male
Workplace	Minimum composition of 30%	74% Female / 26% Male

For the reporting period ending June 2024, and future reporting periods, the Group has set the following measurable objectives:

- A minimum composition of Board of Directors having regard to gender diversity of 40%.
- A minimum composition of Senior management team encompassing key decision makers of 40%.
- A minimum composition of the workplace having regard to gender diversity of 40%.

The Diversity Policy is available on the Group's website (<https://lynchGroup.com.au/investor-centre>) and, as such, is available to all employees at any time. Employees responsible for employment and promotion were reminded of the Policy and these objectives during the reporting period. All employment positions within the Group, whether Board, Executive or other employee, are filled by the best candidates available without discrimination. Where the requirements of a role permit, the Group will consider the provision of flexible work arrangements to balance family and other commitments with the role.

The Group is a relevant employer under the Workplace Gender Equality Act and reported on its Gender Equality Indicators in accordance with the Workplace Gender Equality Act 2012.

Corporate Governance Statement

A copy of the Group's Corporate Governance Statement is available on the Group's website <https://lynchGroup.com.au/investor-centre>.

Principal activity

The principal activity of the Group is the horticultural production and wholesale of flowers and plants. The Group is a for profit entity. No significant change in the nature of the principal activity of the Group occurred during the financial year.

Dividends

The payment of a dividend by the Group is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of the Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal, regulatory restrictions on the payment of dividends by the Group, and any other factors the Directors may consider relevant.

In respect of the financial year ended June 2023:

- a dividend of 7.0 cents per share (\$8.5m in total) franked to 100% at 30% corporate income tax was declared on 23 August 2023 and paid to holders of ordinary shares of the company on 20 September 2023.
- no interim dividend was declared.

In respect of the financial year ended June 2022:

- a dividend of 6.0 cents per share (\$7.3m in total) franked to 100% at 30% corporate income tax was declared on 24 August 2022 and paid to holders of ordinary shares of the company on 21 September 2022.
- a dividend of 6.0 cents per share (\$7.3m in total) franked to 100% at 30% corporate income tax was declared on 23 February 2022 and paid to holders of ordinary shares of the company on 23 March 2022.

No further dividends have been paid or declared since the start of the current financial year, and the Directors do not intend to declare any further dividends in respect of the current financial year.



Operating and Financial Review

The Board presents its operating and financial review for the financial year ended June 2023, which is intended to provide shareholders with an overview of the Group's operations, its financial performance and position and prospects for the future. This review is intended to complement the financial report.

Review of Operations

The Group traces its origin back to 1915, when it was founded in Australia by the Lynch Family. The business has grown over time by leveraging its strong, long term relationships with participants along the supply chain including breeders, growers (both domestically and globally) and retail partners, and its deep expertise in large scale production of delicate and short vase life products.

The results of the Group are disclosed in the financial statements. The profit for the year of the Group after providing for income tax amounted to \$9.9m (2022: \$19.6m).

Trading Performance

Australia

The Australia segment delivered revenue growth underpinned by strong performance in its sale or return network. Consumer demand for floral products through wholesale channels remains stable despite recent economic headwinds. Price and range settings have been actively managed in collaboration with key customers. The recent Mother's Day event (the largest single event annually) was successfully executed. Consumer perceptions of supermarket floral quality driven by the Group's strategy of product innovation and merchandising continue to deliver revenue growth.

The higher costs from increases in international freight rates and comparable increases in local buying costs experienced in the previous reporting period have moderated during the second half of the current reporting period. Labour availability has also improved with the requirement for overtime outside of high-volume events reducing, with labour rate inflation reflecting broader economic trends. Costs generally have been subject to inflationary impacts with interest rate increases leading to higher financing costs during the reporting period.

The Group successfully relocated its NSW operations and head office team to a purpose-built facility in Ingleburn, NSW during the current reporting period.

China

The China segment delivered revenue growth predominately from volume growth in the 18 hectares of land developed in the previous reporting period and the ongoing maturation of previous expansion works. Pricing during the first half of the year was materially affected by restrictions of movement and lockdowns within China. During the second half market demand was stronger, particularly during key event windows. The Group's premium, reliable product continued to be valued by customers with minimal waste even during lockdown periods.

Higher costs from international freight and energy have been experienced during the current reporting period, with some inefficiencies as a result of lockdowns also contributing to the cost base. The Group's four Yunnan based farms remained operational even during the height of the lockdown periods in November and December 2022.

Greenhouse development works, paused during the first half of the reporting period due to the uncertain economic conditions, recommenced in the second half.

Funding

The Group has separate debt funding in place in Australia and China.

In Australia, the Group has a \$75.0m debt facility from the Commonwealth Bank of Australia available which expires in October 2026. An extension of this facility was entered into during the financial year which increased the term by a further 2.5 years to October 2026 from its previous expiry date of April 2024. The extension of the facility is under substantially the same terms. At the balance sheet date \$50.0m was fully drawn, \$2.6m was utilised for bank guarantees and the remaining \$22.4m was undrawn.

In China, \$5.6m of debt from a combination of the Bank of China and Yunnan Rural Credit Cooperatives was fully drawn at the balance sheet date.

The Directors believe this level of funding is appropriate to support the business to deliver its future strategies.

Principal Risks

There are a number of factors, both specific to the Group and of a general nature, which may threaten both the future operating and financial performance of the Group. There can be no guarantee that the Group will achieve its stated objectives or that forward looking statements will be realised. The operating and financial performance of the Group is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, may have an adverse impact on the Group's business or financial condition.

The Group's key risks include and are not limited to:

Risk	Description	Mitigation
Market disruption (including pandemic risk)	<p>A material natural or man made event that could lead to unexpected, profound, or widespread changes to the business environment and could force significant transformation in the way the Group conducts its business. Impacts could include changed customer behaviour and buying patterns, logistics delays, increased freight costs and other supply chain disruptions.</p> <p>In the last three years COVID-19 has caused significant market volatility with lingering impacts remaining in both markets. More recently armed conflict and other geopolitical pressures have given rise to global market disruptions.</p> <p>The Group may face difficulty in achieving business growth during and in the aftermath of a market disruption event. This is particularly so given the Group's relatively complex and time critical supply chain.</p> <p>As Australia and China have moved to a strategy of living with COVID-19 the specific risks in relation to COVID-19 have diminished.</p>	<p>The experience of the COVID-19 pandemic in both Australia and China has heightened the Group's focus and ability to scan for, anticipate and manage the impacts of a major market disruptive event.</p> <p>International freight rates and local buying costs are key inputs in the margin performance of individual product lines and are assessed regularly and action taken to adjust margins not meeting required benchmarks. There can be a lag effect in adjusting ranges.</p> <p>Where possible the Group mitigates supply chain risk for imported product into Australia from its own China farms by selling its product domestically in China.</p>

DIRECTORS' REPORT CONT.

Principal Risks cont.

Risk	Description	Mitigation
Environmental risk (including climate-related risk)	<p>Developing resilience to the impacts of climate change, most noticeably weather volatility and water security issues, presents the Group with an evolving set of operational risks.</p> <p>As nations, governments and businesses transition to low carbon economies, the Group expects to address associated risks to its business from changes in government policies, business processes and broader community expectations.</p> <p>The Group's operations are subject to various environmental laws, regulations and customer and community standards. If the Group is responsible for any environmental pollution, contamination or undue waste it may incur substantial costs including fines and remediation costs, its operations may be interrupted, and it may suffer reputational damage.</p>	<p>The Group has issued its inaugural sustainability report as part of this annual report.</p> <p>The Group has collaborated with an expert environmental data analysis team from Western Sydney University to establish baseline data points to understand the Group's current environmental performance and reporting. Future phases of the project are expected to focus on further data analysis that will contribute to the setting of environmental goals and targets across the Group.</p>
Ethical trade and social licence to operate	<p>The Group sources products through a combination of its inhouse farms in Australia and China as well as long-term relationships with leading, third-party growers in Australia and other key global floral growing regions such as Kenya, Ecuador, and Colombia and Vietnam.</p> <p>The Group requires its supply chain to adopt and reflect the highest standards of ethical conduct and activity.</p> <p>Failure of the Group's suppliers to comply with the Group's ethical sourcing policy could result in adverse safety or living conditions for supplier workers and could result in reputational or financial risk for the Group.</p>	<p>The Group's enhanced internal systems and procedures strive to support our continued ethical sourcing and management of other potential human rights risks including modern slavery.</p> <p>The Group is committed to acting fairly, reasonably, equitably, and cooperatively with suppliers and requires suppliers to maintain appropriate certifications and comply with applicable laws and regulations in their countries of operation.</p>
Macro-economic conditions (including inflationary impacts, cost pressures and rising interest rates)	<p>Consistent with many other businesses the Group is experiencing high inflation across many of its key cost lines (freight, raw materials cost, labour). A high inflationary environment may also affect consumer spending on discretionary items such as those offered by the Group. Continuing increases in costs at a rate faster than can be recovered through range and price management could have a material impact on the Group's financial performance.</p> <p>Based on commentary from the Reserve Bank of Australia, economic consensus, and central bank decisions overseas, it is possible interest rates could continue to rise. A significant increase in interest rates, and related depressed consumer buying, could have a material impact on the Group's revenue.</p> <p>In addition, the Group has external borrowings which attract variable interest repayments. A rise in interest rates would increase the interest payable on its borrowings.</p>	<p>The Group receives timely and detailed analysis on sales of individual products from its team of in store merchandisers and from its customers. This frequent and timely information allows it to react quickly to any changes in consumer behaviour.</p> <p>The Group operates sophisticated internal modelling to review the margin of each of its product lines against internal targets. Where these are identified as not meeting required benchmarks, appropriate action is taken to adjust them. These changes can lag costs by 3–6 months.</p> <p>The specific impact of movement in interest rates are discussed further in the financial risk note in the consolidated financial statements. The impact of rising interest rates has also been considered when assessing discount rates used for valuing assets and impairment analysis.</p>

Risk	Description	Mitigation
People capability and labour availability	<p>The Group's Australian segment operates a labour force within its production facilities which is required to scale up during certain peak periods (Christmas, Valentine's Day, Mother's Day). To facilitate this the Group engages short term casual labour.</p> <p>Australia has recently been operating at low levels of unemployment with reduced levels of migration although recent commentary suggests migration levels are expected to increase soon.</p> <p>A lack of suitable workforce could result in the Group being unable to fulfill its full production potential or require investment in material overtime for existing employees during the event periods.</p>	<p>The Group has active programs in place for ongoing recruitment, development, and retention across its workforce. The Group continues to invest in its people offering competitive remuneration and benefits within a safe working environment.</p> <p>With the reopening of international borders, the Group also expects inbound migration to lift over time.</p>
Health and safety	<p>The nature of the business exposes the Group's employees to the risk of workplace accidents or injuries.</p>	<p>The Group is focused on ensuring a safe working environment for all its employees in Australia and China. A culture of safety first is in place across all operations with ongoing training and education of employees as well as the regular periodic reporting of any incidents in place.</p> <p>The Group has recently appointed a Head of Human Resources. This senior role has a key focus on health and safety.</p> <p>The Group also has current workers' compensation policies in place.</p>
Customer concentration risk	<p>In Australia a substantial proportion of the Group's revenue is attributable to a small number of the major supermarkets, including Coles, Woolworths, and ALDI, who trade with the Group on a purchase order basis, with no guaranteed orders or certain volume.</p> <p>The Group relies on long-standing relationships with its customers to generate and secure ongoing revenue. If the relationship between the Group and any of these major customers deteriorates, or the Group is not able to maintain its competitive advantage as the major supplier of floral and plant products to Australian supermarkets, this may result in a material adverse impact on the Group's revenue and financial performance.</p>	<p>Whilst there are no fixed term contracts with these major customers, the Group has relied on its strong long term commercial relationships with these key customers (some of which have been the Group's customers for 30 years), its competitive positioning and scale to generate ongoing revenue from these key customers.</p> <p>During the current reporting period the percentage of the Group's external revenue derived from sales to major supermarkets has remained consistent with the prior year.</p>
Key suppliers and other strategic relationships	<p>The Group relies on several key suppliers to provide high quality products to the Group. The terms of supply for these products are typically for a contracted duration of no more than one year or on a purchase order basis. The Group's ability to secure ongoing supplies on a timely basis depends on the strength of its relationships with its key suppliers and any deterioration could have material adverse effect on financial performance of the Group.</p>	<p>The Group has developed long-term, positive relationships with its key suppliers. It follows a diversified sourcing strategy across key floral regions including inhouse farms in China and Australia and a mix of local and overseas grower supply agreements.</p>

Principal Risks cont.

Risk	Description	Mitigation
Geopolitical risks of operating in China	The Group operates and owns key assets in China, therefore is exposed to China's political, economic, and social landscape and the broader bilateral relationship between Australia and China. Heightening of political and economic tensions in the bilateral relationship between Australia and China may impact the Group's operations including from government responses to these tensions. Specific impacts could include heightened regulatory burdens on foreign investment, restrictions on export activities, expropriation of real property assets, repudiation, renegotiation or nullification of existing agreements and leases, or restrictions on currency conversion and the repatriation of funds.	<p>The Group has operated in China for over a decade, and continues to actively invest in greenhouse production expansion, increased processing capacity and its operation teams in China. The Group's China based employees are almost exclusively locally based.</p> <p>Although the Group cannot influence wider geopolitical issues, it strives to be a model corporate citizen with appropriate corporate governance.</p> <p>As an importer from China, the Group is less exposed to trade restrictions imposed by Chinese authorities.</p>
Changes to Australia's quarantine and customs requirements	The Group is subject to Australia's strict biosecurity and quarantine requirements which apply to the importation of plant based products. The Australian Government may review and implement changes to the import conditions, customs requirements or quarantine controls following changes to local circumstances (including environmental factors) or based on new scientific evidence. Any significant alteration of the import requirements in respect of plant based products could either restrict or prevent the Group's importation of its floral and plant products into Australia.	The Group has developed a highly diversified supply chain both in Australia and internationally. It actively monitors supplier volumes to ensure it does not become overly reliant on any one supplier. The Group also works proactively with the Australian Government to ensure ongoing compliance with all biosecurity regulations.
Foreign currency exposure	Some products sourced by the Group are purchased directly in foreign currency and accordingly the Group is exposed to the foreign exchange rate movements, particularly the AUD/CNY and AUD/USD rate. Material movements in the foreign exchange rates can have a material adverse effect on the Group, including reduced consumer demand for products or increased costs to produce and distribute products.	<p>The Group undertakes regular hedging of USD based on future expected purchases. The Group aims to hedge approximately 50% of expected USD based purchases approximately 6 months ahead.</p> <p>The specific impact of movement in the AUD/CNY are discussed further in the financial risk note in the consolidated financial statements.</p>
Glyphosate	<p>Glyphosate is a broad-spectrum systemic herbicide, which acts by inhibiting an enzyme found in plants. Glyphosate is a widely used product to kill weeds and grasses that compete with agricultural crops. While glyphosate has been approved by regulatory bodies worldwide, there have been concerns about its effect on humans and its links to causing cancer.</p> <p>The Group uses glyphosate as a herbicide at farms where the risk is relatively low and in accordance with label and local regulations. The Group also uses glyphosate as a mandatory treatment to render some specific flower varieties non-propagable in a process known as 'devitalisation', a treatment mandated by the Australian Government.</p> <p>There have been some successful and some pending litigations globally, including in Australia, claiming liability for cancer relating to the use of glyphosate. As such, there is a risk that the Group could be involved in future litigation regarding its use of glyphosate, which may have a material impact on the Group's financial position.</p>	<p>The Group is actively working with the Australian government to remove the requirement for the use of glyphosate.</p> <p>In the meantime, the Group mandates the use of protective equipment for employees who may come into contact with glyphosate.</p>

Risk	Description	Mitigation
Cyber security	The Group uses information technology systems throughout its operations. Key system unreliability, instability, or failure or deliberate or accidental compromise of the IT systems could impact the Group's efficiency or profitability or lead to reputational damage.	<p>The Group engages independent security experts to review and identify potential security risks in its IT environment to enable remediation of any identified weaknesses.</p> <p>The Group also undertakes regular employee education as well as secure infrastructure housing, regular backups, and disaster recovery processes to secure its data and systems.</p>

Business Strategies and Prospects

Australia

The Group continues to be well positioned to leverage its existing platform and scale to capitalise on structural changes in the Australian floral retail market and drive revenue growth and margin recovery. Key strategic objectives are to:

Strategic objective	Further detail
Enhance merchandising effectiveness to support like for like sales growth and profitability (lower waste) across customer store network.	The Group's merchandising technology platform is now embedded in the day-to-day operations of the Group providing detailed real time data and analytics. With more than 12 months of data now available year on year comparisons are possible further enhancing decision making around range and labour efficiency. As consistency continues to improve, best practice procedures can be shared across the network.
Grow Sale or Return (SOR) store network and support more Core stores with merchandising.	The Group plans to drive further sales growth by continuing to work with its customers to grow the SOR store network. Existing SOR stores generally over index Core stores as a result of the unique service model – tailored range, direct store delivery, dedicated merchandising. As SOR expands to new areas this will allow additional Core stores in the same areas to be considered for merchandising.
Deliver operational improvements focussed on product quality and speed to the consumer.	The Group relocated to a new processing facility based in Ingleburn, NSW with increased capacity. Over time this facility is expected to deliver long term benefits in labour efficiency, safety, and product quality. The Group is continuing to progress efficiency improvements across sales optimisation, waste, labour, and transport management.
Execute on new channel development initiatives, capturing further wholesale share.	Greenfield expansion of the Group's wholesaler operations in WA occurred during the current reporting period. Further opportunities for expansion in the wholesale and florist channel (both greenfield and acquisition-based) continue to be actively considered.
Replicate NSW site upgrade into other states to increase scale and drive cost efficiency.	The NSW site relocation is expected to deliver long term benefits. As other facilities become end of life, the Group intends to evaluate options for relocation using the NSW site as a benchmark.

DIRECTORS' REPORT CONT.

China

In the growing China market, the Group expects to focus on continued farm expansion and the acceleration of integrated floral model. Key strategic objectives are to:

Strategic objective	Further detail
Leverage Australian segment know-how to further develop vertically integrated floral supply model into China.	Delayed due to the restrictions on international travel in the 1H and the movement of people in China, the Group intends to continue strengthening its domestic China team's capabilities in product development and scaled value-added production capacity to support ongoing growth with its retail customers.
Continue to develop further production greenhouse space to support customer demand and secure additional land for next growth phase.	The Group paused development of production greenhouse space during the first half of the current reporting period due to the restrictions on movement of people and lockdowns. During the second half, this program recommenced at its existing Yunnan sites. The Group intends to explore options for new sites to continue developing production greenhouse space as its existing sites near capacity.
Build further operational capacity within the Group's supply base in Kunming to support significant ramp-up in customer growth, and replicate Shanghai processing facility into other major metropolitan consumer markets.	The Group is utilising expanded capacity at its Yunnan based production facilities to strengthen supply capabilities from Kunming for both domestic and export sales. The Group is also actively exploring sites in other major metropolitan cities in order to replicate its Shanghai processing facility with a view to adding one additional site within the next twelve months.
Track record of predictable and attractive Return on Invested Capital (ROIC) on growth capital expenditure.	The additional production greenhouse space recently developed in the previous reporting period continues to generate volumes exceeding internal targets. This continued track record provides confidence in new capital expenditure plans to further build operational capacity.



Lynch Group greenhouse facility – China

Financial Review

The results of the Group are disclosed in the financial statements. Non-AASB financial measures, as referenced below, have not been subject to audit or review by Deloitte Touche Tohmatsu. Non-AASB financial measures are financial measures other than those defined or specified under all relevant accounting standards. The Group uses non-AASB financial measures to monitor and report on the performance of the business on an ongoing basis. In particular, the Group reports on Earnings before interest, tax, depreciation and amortisation (EBITDA) and Pro-forma EBITDA, as the board and management of the Group believe that these are the best measures of the underlying performance of the business. These measures are in common and widespread use across the sectors in which the business operates.

Key metrics achieved by the Group during the current reporting period are as follows:

- The revenue of the Group was \$395.3m (2022: \$366.5m). The current reporting period includes 53 weeks (prior reporting period 52 weeks). Excluding the effect of the additional week in the current reporting period the revenue of the Group would have been \$391.4m (2022: \$366.5m). There was no material impact on EBITDA, profit of the Group or Pro-forma NPATA from the additional week of revenue.
- The EBITDA¹ of the Group was \$42.3m (2022: \$48.2m).
- The Pro-forma EBITDA² of the Group was \$42.7m (2022: \$48.2m).
- The profit of the Group after providing for income tax amounted to \$9.9m (2022: \$19.6m).
- The Pro-forma NPATA³ of the Group was \$15.7m (2022: \$24.7m).
- The earnings per share was 8.14 cents (2022: 16.04 cents).
- The net tangible assets per share was 0.39 dollars (2022: 0.35 dollars).

A reconciliation between statutory and pro-forma reported key metrics is noted below:

	Statutory \$'000	Non-cash amortisation \$'000	Pro-forma NSW site relocation \$'000	Pro-forma reported total \$'000
EBITDA¹	42,310	–	418	42,728
Depreciation and amortisation	(23,260)	–	178	(23,082)
Financing costs	(5,774)	–	246	(5,528)
Taxation	(3,336)	–	(252)	(3,588)
Profit of the Group	9,940	–	590	10,530
Amortisation of acquired intangible assets (net of tax)	–	5,127	–	5,127
Pro-forma NPATA³	9,940	5,127	590	15,657

Non-AASB financial measures include:

¹ EBITDA is Earnings before interest, tax, depreciation and amortisation.

² Pro-forma EBITDA is Earnings before interest, tax, depreciation and amortisation adjusted for non-recurring costs in association with the Group's NSW site relocation.

³ Pro-forma NPATA is Net profit/(loss) after tax adjusted for amortisation and non-recurring costs in association with the Group's NSW site relocation.

DIRECTORS' REPORT CONT.

Revenue

On a statutory basis, revenue increased by \$28.8m (7.8%) from \$366.5m in 2022 to \$395.3m in 2023. The current reporting period includes 53 weeks (prior reporting period 52 weeks). Excluding the effect of the additional week in the current reporting period the revenue would have increased by \$24.9m (6.8%) from \$366.5m in 2022 to \$391.4m in 2023. The major components of the movement are:

Australia – growth of 4.7%

- Increased supermarket penetration of floral products as a result of product range optimisation and increased merchandising of store network.
- Price increases secured and implemented with major customers.
- Increased revenue from growth in Sale or Return store network.
- The current reporting period includes 53 weeks due to the Australian segment utilising a retail accounting calendar of 4-4-5 weeks per quarter. In a normal year the retail calendar has 52 weeks (364 days) as such to make up for the lost day, an extra week is added to the calendar every 5-7 years. The current reporting period includes that week. Revenue attributable to this week is \$3.9m.

China – growth of 11.8%

- Increase in production capacity and yield from recently developed land delivering volume growth.
- Continued operations of production facilities during lockdown periods with volumes continuing to meet expectations with minimal waste.
- Average price declines, particularly in the first half, impacted by restrictions of movement of people and lockdowns.

EBITDA

EBITDA decreased by \$5.9m (12.2%) from \$48.2m in 2022 to \$42.3m in 2023. In the current reporting period EBITDA has been adjusted for \$0.4m non-recurring costs in association with the Group's NSW site relocation. There are no Pro-forma adjustments applicable to the previous reporting period. On a Pro-forma basis, EBITDA declined by \$5.5m (11.4%) from \$48.2m in 2022 to \$42.7m in 2023. The table below has been prepared to reconcile Statutory Profit before tax to EBITDA and Pro-forma EBITDA:

	June 2023 \$'000s	June 2022 \$'000s
Statutory profit before tax	13,276	24,874
Depreciation and amortisation	23,260	20,041
Financing costs	5,774	3,301
EBITDA	42,310	48,216
Non-recurring costs for NSW site relocation	418	–
Pro-forma EBITDA	42,728	48,216

The major components of the movement are:

Australia – Pro-forma decline of 10.8%

- Revenue growth of 4.7% underpinned by continuing consumer demand for floral product and price increases secured and implemented with major customers.
- Material order volatility relating to new system implementation from a major customer, creating higher waste and other costs for a period of the current reporting period.

- Elevated international freight rates in the first half of the current reporting period which continued to influence comparable increases in local product buying costs. Rate reductions in key African, South American, and Asian routes were realised in the second half of the current reporting period.
- Tight labour availability during the first half of the current reporting period leading to higher overtime during high-volume events. Labour availability moderated noticeably during the second half of the current reporting period.
- Cost inflation generally, including buying labour and freight rates reflecting broader economic conditions.

China – decline of 11.9%

- Revenue growth of 11.8% from higher production volumes from increased capacity developed in current and previous reporting periods.
- Significant disruption to operations during first half of the current reporting period as a result of restrictions on the movement of people and lockdowns in China.
- Decrease in year-on-year average pricing from restriction on movement of people during the first half of the current reporting period with improvements in the second half of the current reporting period particularly during key event windows.
- Cost inflation, particularly for labour, energy costs and international freight.

Profit for the year

On a statutory basis, profit for the year decreased by \$9.7m (49.2%) from \$19.6m in 2022 to \$9.9m in 2023. In the current reporting period, Pro-forma NPATA includes the effect of non-recurring costs for NSW site relocation including loss on disposal of fixed assets, additional Right-of-use depreciation, and the tax effect of these adjustments totalling \$0.6m. The current and previous reporting periods both include an adjustment in relation to the amortisation of acquired intangible assets of \$5.1m. Pro-forma NPATA declined by \$9.0m (36.6%) from \$24.7m in 2022 to \$15.7m in 2023. The table below has been prepared to reconcile Statutory Profit before tax to Pro-forma NPATA:

	June 2023 \$'000s	June 2022 \$'000s
Statutory profit before tax	13,276	24,874
Income tax expense	(3,336)	(5,294)
Statutory profit for the year	9,940	19,580
Non-recurring costs for NSW site relocation	590	–
Amortisation of acquired intangible assets	5,127	5,128
Pro-forma NPATA	15,657	24,708

The major components of the movement are:

- Revenue and EBITDA factors as noted above.
- Increase in depreciation predominately from capital invested in China growth assets to develop productive land. Deprecation from Right-of-use assets is also higher in the current reporting period due to relocation of the NSW site which is subject to a 15-year lease.
- Material increase in financing costs as Australian interest rates increased throughout the current reporting period.
- Tax effect of all above items.

Consolidated Statement of Financial Position

The Statement of Financial Position compared to the previous reporting period shows some significant changes. The Directors have defined a significant change as one where the balance of a particular line item is more or less than 10% than that of the previous reporting period. Significant changes in the current reporting period include Cash and cash equivalents, Inventories, Biological assets, Right-of-use assets, Lease liabilities and Provisions. Key components of the movements are:

- Cash and cash equivalents increased by \$4.4m (13.8%) from \$32.0m to \$36.4m as a result of factors noted in relation to the Consolidated Statement of Cash Flows below.
- Inventories decreased by \$1.8m (12.0%) from \$15.1m to \$13.3m with holdings of non-perishable inventories decreasing during the current reporting period.
- Biological assets increased by \$1.3m (29.1%) from \$4.4m to \$5.7m as a result of the increased volumes of biological assets at the Group's China farms following capital expansion works.
- Right-of-use assets increased by \$18.2m (70.3%) from \$25.9m to \$44.1m. The increase relates largely to a lease arrangement in respect of a new production facility for the Group's NSW operations located in Ingleburn NSW. The lease arrangement was entered into to increase production capacity and has a term of fifteen years.
- Lease liabilities increased by \$17.3m (61.0%) from \$28.2m to \$45.5m also largely as a result of the relocation of the Group's NSW operations.
- Provisions increased by \$1.4m (12.7%) from \$11.3m to \$12.7m as a result of the recognition of additional contractual make-good obligations.

Consolidated Statement of Cash Flows

Cash and cash equivalents as at June 2023 increased by \$4.4m (13.8%) from \$32.0m to \$36.4m. Significant components of the cash flows during the year, include:

- Operating cash flows associated with the operating activities of the Group.
- \$16.2m capital investment projects, in particular land development in China.
- \$7.3m interim dividends declared in August 2022 and paid in September 2022.



Lynch Group production facility – Australia

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

Dividends

In respect of the current reporting period ended June 2023, the Directors have declared a final dividend of 7.0 cents per ordinary share which is fully franked. The record date of the dividend is 6 September 2023, and the dividend was paid on 20 September 2023.

Economic environment

The uncertain economic environment in both Australia and China continues to impact the Group to the date of this report.

At the current time, in Australia the Group is experiencing high inflation across many of its key cost lines (freight, raw materials cost, labour). A high inflationary environment may also affect consumer spending on discretionary items such as those offered by the Group. Continuing increases in costs at a rate faster than can be recovered through range and price management could have a material impact on the Group's financial performance in 2024.

The Group continues to be impacted by elevated freight rates for international supply although rates have moderated during the current reporting period. Labour availability has led to increased overtime especially around key events and although at the current time availability has improved this may impact the Group in the future were conditions to change. The Group continues to experience increased costs generally from higher inflation and is working collaboratively with its customers and suppliers to manage elevated costs through a range of initiatives including selling price and product range management.

In China weak consumer confidence is impacting summer pricing of product with average pricing down materially on prior year levels. Prolonged weakness in this market could have a material impact on the Group's financial performance in 2024.

The Group notes market disruption including pandemic risk as a key risk for the Group. The extent that any future impact from market disruption including pandemic risk has on the Group's operational and financial performance will depend on certain developments, including the nature and duration of any event, any regulations imposed by governments and the impact on customers, employees, and the Group's supply chain, all of which are uncertain and cannot be predicted at this time. The Group may face difficulty in achieving business growth during and in the aftermath of a market disruption event particularly due to the Group's relatively complex and time critical supply chain.

As at the date of these financial statements are authorised for issue, the Directors of the company have assessed that there is not expected to be a material financial impact that may affect the Group's ability to continue as a going concern.

Other

Other than as noted above, there has not been any other matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Likely developments

The Group expects to continue to grow its present level of operations, both in Australia and China. In Australia, the Group intends to continue driving the penetration of the convenience purchase segment (including supermarkets) component of the overall floral market. In China, the Group intends to increase its level of productive land in order to serve new and existing customers.

FLOURISH



Welcome to our inaugural Sustainability Report

Sustainably creating beautiful experiences, for all our stakeholders, with pride and passion

Lynch Group Holdings Limited (the Group) is Australia's leading vertically integrated wholesaler and grower of flowers and potted plants.

Like other industries, the floral industry faces a unique set of Environmental, Social and Governance (ESG) issues characterised by new technology and rapidly evolving customer, investor, community, and stakeholder expectations. As Australia's leading floriculture organisation, the Group acknowledges the importance and urgency of addressing these issues and the leadership role it can play in this area. At the same time, the Group recognises that strategic opportunities will emerge from sustainable management of its organisation.

For more than 100 years, the Group has proudly pursued its vision of creating beautiful experiences with pride and passion. In the 21st century, the Group works to achieve this vision sustainably, for the benefit of all its stakeholders – investors, customers, employees, industry colleagues, regulators, and the broader community. In pursuing this goal, the Group has launched its sustainability initiative – **FLOURISH**. The **FLOURISH** initiative will be increasingly integral to the way the Group operates, and closely aligns with its longstanding core values of:

- Passion for excellence.
- Respect and trust.
- Quality focused.
- Honesty and integrity.
- Teamwork.
- Openness.

The Group is proud to introduce its inaugural report on **FLOURISH**.

Introduction

This inaugural **FLOURISH** Sustainability Report is an important milestone for the Group and a key step on its journey towards ESG maturity.

The Group has been in continuous operation for over 100 years, serving its customers with high quality floral product. Today, its operations in Australia and China rival any floral operator in the world. Looking forward, the Group intends to achieve its vision of creating beautiful experiences with pride and passion in a sustainable way that is mindful of all stakeholders – investors, customers, employees, industry colleagues, regulators, and the broader community. This report is an important channel of open and transparent communication with these stakeholders.

In 2022, the Group launched its ESG journey with a dedicated Sustainability team and a multifaceted ESG materiality assessment project guided by an external consultant. The outcome of this materiality assessment informed and underpinned a series of ESG research and data collection initiatives in FY23 and, going forward, will form the basis of the Group's ESG strategy development, in parallel with its broader organisational strategy. This **FLOURISH** Sustainability Report reflects the research outcomes of the ESG materiality assessment work and sustainability review of the Group's operations and processes.

While **FLOURISH** will emphasise ESG's role in future business decisions, the annual Sustainability Report will present an opportunity for the Group to examine and reflect how well the past year's ESG initiatives have contributed to its sustainability goals.



Lynch Group greenhouse facility – China

2023 SUSTAINABILITY REPORT HIGHLIGHTS



Environment

The Group is pleased to introduce its collaboration with an expert environmental data analysis team from Western Sydney University. The outcome of this collaboration has been to establish baseline data points to understand the Group's current environmental performance and reporting. Future phases of the collaboration are expected to focus on further data analysis to contribute to the setting of environmental goals and targets across the Group.

In November 2022, the Group relocated its Australian head office and NSW operations to a purpose-built facility in Ingleburn NSW. The short time since this move has delivered increased efficiency and environmentally focussed operational processes.

The Group has made notable progress in sustainable packaging of floral product. It encourages ongoing discussion with its customers to present sustainable options that are reusable or recyclable, as well as adding recycle logos to selected floral and potted packaging.



Social

The Group's enhanced internal systems and procedures ensure its continued ethical sourcing and the management of human rights risks including modern slavery.

For its own people, the Group has developed and implemented an upgraded, proactive work health and safety program. The Group launched its first graduate program based in NSW and continued to invest in training and development initiatives and offer career progression within its teams through its Emerging Leaders Program. The Group continued to report as a certified employer under the *Workplace Gender Equality Act 2012*.



Governance

The Group fully commits to a strong governance regime to ensure it meets the standards expected of it by its stakeholders. These include compliance with obligations under relevant legislation including the *Corporations Act 2001*, ASX Listing Rules, ASX Corporate Governance Principles, workplace health and safety, tax and privacy legislation. The Group operates an in-depth risk management process, internal audit procedures and is committed to transparency of reporting and communication with its stakeholders.

The Group's corporate governance and risk management framework is further enhanced by the launch of **FLOURISH** in FY23.

United Nations' sustainable development

Now at the outset of its ESG journey, the Group's launch of the **FLOURISH** initiative sharpens its focus on building goals with the United Nations' Sustainable Development Goals (UNSDGs) in mind. Over time, the Group will be guided by those UNSDGs with particular relevance to the international floriculture industry as it plans for long-term commitment towards ESG maturity.

As **FLOURISH** continues to develop, it aims to provide an enhanced framework by which capital allocation and other strategic decisions can be assessed. The framework is founded on a policy that integrates sustainability considerations into the Group's major decisions.

Looking to the future, **FLOURISH** is expected to examine the complex and evolving global landscape of ESG disclosure as the Group challenges itself to enhance the measurement and reporting of sustainability performance, guided by leading bodies including the International Sustainability Standards Board, the Taskforce on Climate-related Financial Disclosures and regulators including the Australian Investments and Securities Commission.

SUSTAINABLE DEVELOPMENT GOALS



United Nations' Sustainable Development Goals

Environment



Physical climate resilience

The fundamental physical considerations for the Group's choice of farm sites, both in Australia and China, are:

- altitude, aspect and topography that are suitable for efficient growing of desired crops.
- availability of water.
- climatic conditions, such as rainfall, mist/fog, humidity, wind, temperature, daylength and exposure to sunlight.
- location, including proximity to transport links and markets as well as a consistent supply of labour.

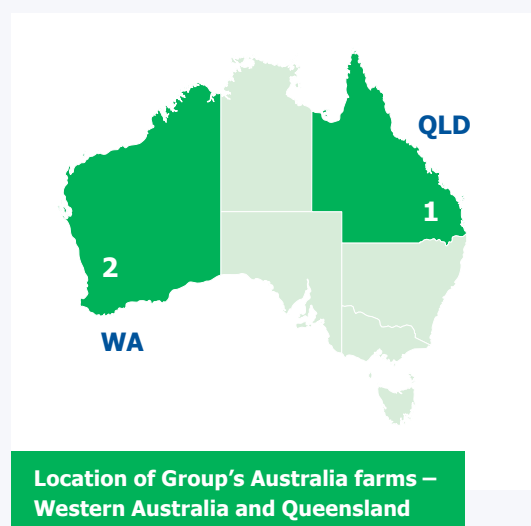
These geographical considerations are fundamental to the inherent climate resilience of the Group's farming infrastructure and choice of crop varieties that underpin investment decisions.

Yunnan Province, the location of the Group's farms in China, provides stable, consistent conditions for growing premium roses. The Group's farms in China are also strategically located near workforces and transport hubs to aid speed of product to market.

In Australia two of the Group's farms are located in primary wildflower-growing regions of Western Australia and one on the warm, south-east coast of Queensland which provides ideal conditions for the growth and development of both foliage and orchid potted products.

Where warranted across its farm network, the Group invests in 'protected cropping' where specifically designed greenhouse structures augment prevailing natural conditions to provide fit-for-purpose environmental controls and enhance farm efficiency.

The responsiveness of the greenhouses to adapt to specific environmental conditions in real time is managed by a network of automated control systems using data that is gathered contemporaneously from numerous data collection points across a farm which are analysed and computed. Automated responses to the data are set to maintain the most optimum growing condition for the chosen crop.





Emissions and energy consumption

During the year the Group collaborated with an expert environmental data analysis team from Western Sydney University to calculate and report on its base-line greenhouse gas (GHG) emissions. The Group aimed to gain a thorough understanding of its GHG emissions across its various operations and processes, including planting, cultivation, transportation, and other relevant activities. By reporting on its emissions data, the Group seeks to foster stakeholder trust and demonstrate its commitment to sustainable practices.

The Group considered the guidelines within the National Greenhouse Accounts (NGA) standards in reporting its Scope 1, Scope 2 emissions, and then separately reporting on selected Scope 3 emissions relating to transportation. The assessment encompasses GHG emissions primarily comprising of carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O), resulting from activities and processes within the Group's operations. The Group will continue to work towards NGA compliance in future reporting and will consider registration under the National Greenhouse and Energy Reporting Scheme.

The assessment accounts for GHG emissions arising from the following activities and processes:

- Scope 1: direct emissions from fuel consumption from farm operations and transport where vehicles are owned or operated by the Group, incorporating emissions from agricultural practices and flower cultivation.
- Scope 2: indirect emissions that occur outside the boundary of the Group from purchased electricity consumed within the Group's facilities.
- Scope 3: indirect emissions that occur outside the boundary of the Group from air, sea, and road transportation from the movement of product and people.

Calculated carbon emissions for FY23 and FY22 are as follows:

Greenhouse gas emissions (tCO ₂ -e)	June 2023	June 2022
Scope 1 emissions	39,227	46,173
Scope 2 emissions	11,991	10,988
Scope 3 emissions ¹	23,723	23,137
	74,941	80,298

¹ Scope 3 emissions include selected emissions only (air, sea, and road transport).

The primary GHG emissions sources identified are non-renewable energy consumptions, including the combustion of coal and natural gas and through air transport. GHG emissions declined between FY23 and FY22 largely due to less heating used in China during the COVID restricted period (1H FY23).

As the Group continues to understand and interpret its base-line GHG emissions it intends to implement strategies to reduce its environmental impact. This is expected to include target setting in the future.

The assumptions used in calculating the Group's GHG emissions are included in the governance section of this report.

Environment cont.



Water management

Water is a critical resource for the Group and efficient water management is key to optimising its water use, reducing other inputs, and maintaining desirable crop yields.

Planting greenhouse crops in hydroponic beds supports the application of precise water and nutrient levels, in a continuous cycle of remeasure, readjust, and reuse, to avoid over-watering and over-fertilisation. Only a small percentage of water is disposed from the greenhouse plant-feeding loop and this water is directed to irrigate soil-based flowerbeds on each farm. Any remaining unused water is sterilised of potential soil or water borne pathogens through sophisticated ultra-violet and filtration processes, before being directed back into the system for further irrigation.

The Group's farms in China include on site ponds, dams, and tanks to collect and store water, including rainwater from greenhouse roofs. These water storage units are covered to minimise evaporation and algal bloom growth. Water from ponds, dams, and storage tanks feed directly into fertigation units to be recirculated into greenhouses.

Like other environmental and climate control systems, water monitoring systems are fully automated on a continuous basis. Sensors measure the amounts of salts, fertilisers, and acidity in the water and automatically adjust the desired levels. This equipment effectively optimises the delivery of water and nutrients to crops enabling highly efficient and productive growing systems which are essential to maintaining the highest level of efficiency across farms.

Such systems are equal to world-class floricultural technology and management practices in other key floral growing markets.



Pest management

The Group's China farms implement integrated pest management (IPM) techniques. IPM strategies seek to control pests and diseases through the integrated use of several cultural, environmental, biological, and chemical systems.

The effective use of IPM minimises the need for chemical controls with the immediate advantage of reducing the costs of agrochemicals and their application. Furthermore, IPM systems can be beneficial to crops by reducing unintended chemically induced phytotoxicity and avoiding the unintended release of chemicals. IPM also significantly reduces the putative build-up of resistance to chemicals in pest populations. An example of IPM principles is the release of natural biological predators into greenhouses, to reduce a target population of pests.

Effective automated control of the environment to increase the overall health of plants also confers more constitutive resistance to the plants. Consistent use of scouting enables any intervention or response to be targeted, accurate and effective.

Other IPM principles involve substituting 'hard' pesticides with 'soft' or even GRAS ('generally regarded as safe') chemicals. Furthermore, the use of netting and other added cultural protections, the removal of secondary hosts of pests, use of elevated substrate growing systems and sterilisation of irrigation water combine to interrupt the life cycle of pests, exclude incursions of problematic organisms, and enable operators to suppress pests to very low levels.

By maintaining a management system based on IPM the risks of environmental impact is reduced.



Sustainable packaging and waste management

As a long-standing and leading organisation in Australia's floriculture industry, the Group is a major contributor to development of sustainable packaging of floral product. The Group is a member of the Australian Packaging Covenant Organisation (APCO) and adopts APCO's guidelines and systems to assess recyclability of its packaging.

Since 2019, the Group has continuously assessed all product componentry for recyclability and have reworked several floral and potted packaging options to make them recyclable.

In line with Australia's national packaging targets, the Group continues to investigate innovative options with the ultimate objective of phasing out problematic packaging. The Group also continues to introduce new ranges of reusable floral containers to reduce reliance on floral foam.

The Group actively works with its major customers to make sustainable product and packaging choices which focus on reuse and recycling.

Some of the Group's key sustainable packaging initiatives include:

More sustainable solution	Phased/phasing out
Craft paper and poly-based wraps that are recyclable or soft plastics recycling scheme approved.	Wraps made from non-recyclable materials.
Natural coating, recyclable posy boxes bearing Australasian Recycling Labels.	Gloss coated, non-recyclable posy boxes.
Timber and Kraft paper picks.	Plastic, foam, and glitter picks.
Recyclable PET lids and rose cones bearing Australasian Recycling Labels.	Non-recyclable PVC lids and rose cones.

The primary GHG emissions sources identified are non-renewable energy consumptions, including the combustion of coal and natural gas and through air transport. GHG emissions declined between FY23 and FY22 largely due to less heating used in China during the COVID restricted period (1H FY23).

As the Group continues to understand and interpret its base-line GHG emissions it intends to implement strategies to reduce its environmental impact. This is expected to include target setting in the future.

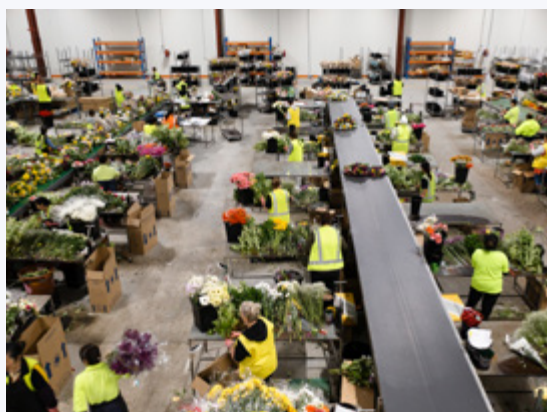
The assumptions used in calculating the Group's GHG emissions are included in the governance section of this report.

Environment cont.



NSW facility

In November 2022, the Group moved into a new, purpose-built facility in Ingleburn, NSW, to accommodate its head office, NSW production facility and showcase bouquet warehouse.



The NSW facility provides the Group with an 80% increase in operational footprint to more than 11,000 sqm. Some of the improved features and benefits of the facility are:

- construction from modern, energy conscious building materials including polyisocyanurate.
- end-to-end, full temperature-control for improved quality assurance.
- larger cool rooms using more energy-efficient refrigeration compressors.
- automation using state-of-the-art equipment to reduce production bottlenecks (especially important in peak event periods) and support faster processing times.
- outbound air lock ante room and rapid doors to increase energy use efficiency.
- rainwater harvested from roof and stored in underground tanks leading to significant reduction in consumption of town water.
- waste capture system covering green waste delivered into dedicated green disposal bins and sent for composting and brown waste (such as growers' transport cartons) separated and auto fed to into a cardboard compactor for recycling.

The site provides the Group's NSW teams with a significant upgrade in employee amenities and complements its strategies to attract and retain its workforce.



Social



Ethical growing and sourcing

The Group sources products from a combination of its own farms in Australia and China plus long-term relationships with leading, third-party growers in Australia and other key global floral growing regions such as Kenya, Ecuador, and Colombia. As a floral industry leader, the Group ensures its supply chain reflects the highest standards of ethical conduct and activity.

The Group is committed to acting fairly, reasonably, equitably, and cooperatively with its suppliers, consistent with their inherent dignity as persons and respecting mutual relationship. The Group expects its suppliers to adhere to all applicable laws and regulations in their countries of operation and requires maintenance of appropriate certifications.

The Group's expectation is that suppliers will:

- be duly respectful of local regulations and comply with relevant environmental standards.
- respect internationally recognised human rights as articulated by the International Labour Organisation.
- not engage in forced labour.
- provide staff with employment contracts that are fair, transparent, and easy to understand.
- not tolerate acts of harassment, abuse, or threats in the workplace including assault, physical and sexual harassment or threats, and workplace bullying and intimidation.
- ensure that working conditions are not harsh or inhumane and provide for adequate standards of health and safety.
- support employees' rights to associate with organisations of their choice to protect their employment interests and right to bargain collectively.

These minimum standards compare to those of the Ethical Trade Initiative (ETI) and are set out in the International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Examples of supplier third-party certifications that the Group tracks are Fair Trade, Rainforest Alliance, Global Gap, Florverde, Flor-Ecuador, MPS Socially Qualified, Ethical Trade Initiative, Kenya Flower Council Silver Certificate, and SA8000.

The Group aims to provide a supportive environment where individuals are comfortable to raise issues of legitimate concern, without fear of victimisation, detriment, or other retribution. The Group has a Whistleblower policy and independent outsourced Whistleblower service in place. These channels are available to both employees and suppliers.

In FY23 the Group focussed on raising the rigour of internal systems for assuring adherence to its ethical growing and sourcing policies including its Ethical Sourcing Policy, Human Rights Policy, and Modern Slavery Statement.

Completing an ETI profile record is an integral part of national and international farm visits by the Group's internal teams. The ETI profile records add to the Group's broader work to monitor issues including freedom of movement, work safety practices and equipment and quality of staff facilities.

In FY23 the Group completed ETI reviews for all Kenyan floral farms and many Australian potted farms. The Group plans to extend the ETI profile record system in FY24.

Continued refinement of its internal procurement systems not only underpins the Group's annual Modern Slavery reporting but is a valuable and practical demonstration of its broader respect for internationally recognised human rights.

Social cont.



Diversity and inclusion

The Group's teams feature a wide mix of cultural diversity, skills, values, backgrounds, and experiences. These diverse cultural backgrounds contribute to creativity and innovation at all levels of the organisation and the Group recognises the strategic and personal advantages that arise from decisions based on merit and equal treatment of its employees.

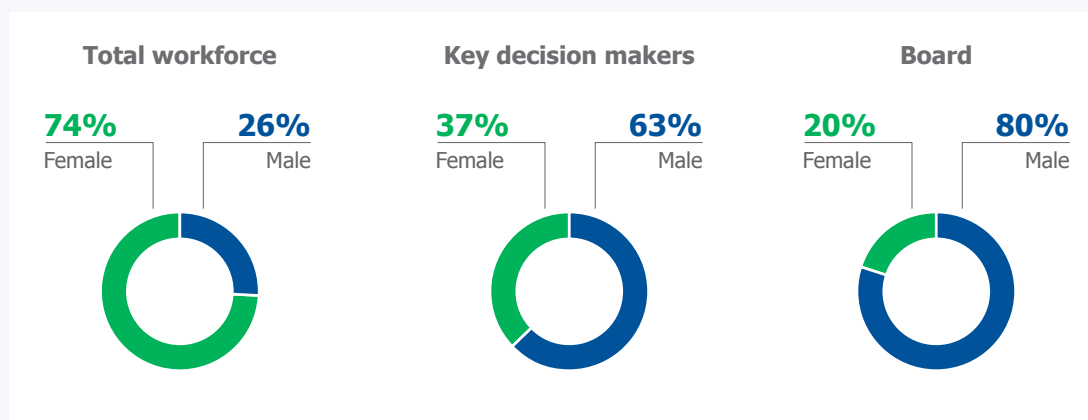
The Group's Diversity Policy provides the framework to achieve its diversity goals through setting targets at different levels across the organisation. The Group's gender target for FY23 was a 30% minimum gender composition at Board, key decision makers, and across the broader workplace.

The Group achieved its gender targets at the level of key decision makers. The broader workforce is skewed towards female gender. The Board composition is unchanged from the Group's IPO noting that a minimum of one Director resigns and applies for reappointment annually at the Group's AGM.

In FY23 the Group completed ETI reviews for all Kenyan floral farms and many Australian potted farms. The Group plans to extend the ETI profile record system in FY24.

Continued refinement of its internal procurement systems not only underpins the Group's annual Modern Slavery reporting but is a valuable and practical demonstration of its broader respect for internationally recognised human rights.

The Group is a relevant employer and submits a report under the *Workplace Gender Equality Act 2012* annually.





Health, safety and wellbeing

The health, safety and well-being of its people is a top priority for the Group.

During FY23, the Group made significant investment in its National WHS roadmap to continue to support and protect its people. This initiative included upgrading the Work Health and Safety Management System (WHSMS) operating at all Australian sites to a Safe Systems of Work in compliance with ISO 45001. The Board closely oversees monthly reporting from the upgraded WHSMS.

Key features of the Australian WHSMS upgrade have been:

- a third-party operational hazard audit followed up by targeted address programs.
- implementation of hazard identification & risk assessment incident investigation processes.
- updated WHS tests and maintenance registers.
- comprehensive updates to WHS policies, procedures and guidelines.
- appointment of WHS administrators across state based operations.
- regular WHS working group meetings across all sites.
- WHS awareness training, including inclusion of WHS into performance evaluations.

The Group has also invested in IT system upgrades to support human resources and staff communications. This system includes hosting the Group's:

- employee assistance program.
- HR and WHS policies and procedures.
- open positions within the organisation.
- news updates.



Lynch Group production facility – Australia

Social cont.



Career development

In today's increasingly complex and challenging environment, the Group is aware of the value in building capability in leaders within the organisation. Providing skills and tools for people to develop as stronger leaders contributes to the Group's culture and aligns with its values.

During the year the Group continued its successful Emerging Leaders Program (ELP) with over 40 employees completing the program. The aim of the ELP is to build and support capability among emerging leaders and develop closer connections between and across functions.

Through participating in this program, the Group's emerging leaders have:

- built leadership and people skills.
- enhanced effective communication.
- developed alternative perspectives.
- broadened networks.
- increased confidence in decision making and adopting leadership roles.

Case study – Rebecca Tulloch, National Design Manager, Australia



A florist by trade, Rebecca commenced working at the Group in 2007 as a manager and provider of floristry services to one of the Group's online sales platforms. Her experience saw her progress through the Procurement team, for local product buying, and then onto the NSW Sales team. However, her move to the Marketing team piqued Rebecca's interest in sustainability issues. Today, as the Group's National Design Manager, Rebecca is at the forefront of some of the Group's most important sustainability initiatives, especially in floral componentry.

Through Rebecca's work, the Group has gained greater visibility and understanding of sustainable packaging. Research, critical thinking, innovation in materials and collaboration with suppliers have led to the Group embracing constructive changes in moving towards a more environmentally sustainable future.

Rebecca has also undertaken the Group's leadership and mentoring training program. Rebecca's enhanced knowledge and skill development in areas such as building clarity, empathy listening, time management, and managing conflict has been extremely useful in both a leadership capacity and for effective teamwork. Rebecca believes leading by example is crucial to fostering a growth mindset culture within the broader organisation, leading to greater creativity and innovation, better decision making, and higher engagement and connection.

With financial support from the Group, Rebecca has embarked on a Diploma of Sustainable Practice through TAFE's Higher Education Program. The course provides a strong foundation in the pillars of sustainability – economic, social, and environmental – managing organisational change and encouraging strategic thinking. Rebecca utilises her learning to promote a sustainable thinking lens amongst her colleagues, cementing sustainability as a core value within the Group.



Graduate program and WSU horticultural scholarship



The Group has made an active decision to strengthen its connections with one of Australia's major tertiary institutions to identify the next generation of talent in Australia's floral industry.

In March 2023, the Group launched its first Graduate Program at an event for future graduates of Western Sydney University. The Group subsequently made its inaugural Graduate Program appointment, Nancy Quispe. A recent Master of Environmental Engineering graduate, Nancy is an important addition to the Group's growing ESG focus.

Nancy's role as Graduate Technical Analyst (ESG) sees her work across many areas of the organisation to investigate, design and assist in implementing a range of tangible and effective ESG related projects.

In addition to the Graduate Program, the Group is proud to have awarded an inaugural horticultural scholarship to Western Sydney University's Horticultural School.



Workforce

As at June 2023, the Group employed 1,762 team members across Australia and China encompassing 18 different cultural backgrounds. The Group appreciates the loyalty and commitment to the organisation demonstrated by its people every day. In Australia, more than 30% of employees have been part of the Group for more than 10 years and 45% have been employed for more than 7 years.

While underlying year-round demand for floral products is steady, critical peaks occur during key events throughout the year, in both the Australian and Chinese markets. The major floral event periods include Mother's Day, Valentine's Day, Christmas, Chinese New Year, 520 Day, QiXi Festival, and Singles Day.

During these peak event periods, the Group supplements its production staff with workers engaged through labour supply companies and enjoys strong and positive relations which have developed over many years.

Social cont.



Responsible corporate and global citizen

The Group's close and long-standing working relationships with trusted international suppliers in Kenya, Ecuador and Colombia positions the Group as a key supporter of trade in developing nations, ensuring fair price is exchanged for valued products and services.

The Group's operations in China have positioned it as a leading grower of premium roses and tulips in the China domestic market. The Group is a major employer in and contributor to the regional economy of Yunnan province, where it operates four farms and associated facilities including packing halls and distribution centres. The Group aims to be a high-quality corporate citizen and in 2021 its farm in Yiliang received formal Good Agriculture Practice certification.

Examples of the broad range of community focussed activities in which the Group participates in China include:

- allowing local farmers to tend unused land for their own produce.
- repairing irrigation for local farmers.
- donating to children's welfare homes and the elderly in local communities.
- offering accommodation respite and conducting awareness workshops for staff members needing support from abusive or otherwise difficult domestic situations.
- sponsoring local university and high school agricultural studies.
- sponsoring and providing volunteer support to the climb-a-mountain initiative for local disabled children.
- supporting a speaking forum for a local disabled athlete.

During China's extended COVID-19 lockdown the Group was proud and appreciative of the loyalty and commitment demonstrated by the its teams across the China operations.



Australian Flower Traders Association

The Group is a founding member of the Australian Flower Traders Association (AFTA), the national industry organisation representing Australian cut flower and foliage traders.



Collectively, AFTA's members employ and support many thousands of Australian workers and organisations across Australia. AFTA offers a platform to engage with other industry participants and to research and respond to key issues affecting the industry, particularly in relation to biosecurity and other regulatory or industry level policy challenges. Its focus is to engage with governments, policy makers and industry regulators with a single, informed and science-based voice and support successful floriculture organisations in Australia.

Governance



Sustainability policy

The Group has recently developed its Sustainability Policy which is available on its website <https://lynchgroup.com.au/investor-centre>.

For the Group, sustainability means seeking environmental, social and economic outcomes that deliver fairness and equity within the present generation as well as between present and future generations. Fundamental to this belief is the recognition that a healthy economy is underpinned by a healthy environment and respect for all life on earth.

The policy outlines the Group's Sustainability Framework and its Sustainability guidelines which provide the basis for the way the organisation chooses to conduct itself. **FLOURISH** is the mechanism for bringing this policy to life within the organisation.

Board of Directors

Both the Chair, Patrick Elliott, and Group CEO, Hugh Toll, pre-date the Group's listing on the Australian Stock Exchange. All current Non-Executive Directors – Peter Arkell, Peter Clare and Elizabeth Hallett – were appointed to the Board at the time of the Group's IPO. Each of the Group's Board members is an experienced Director and brings diversity of knowledge, skill, and experience to the boardroom.

The Board regularly reviews its performance, composition, and other matters of operation in accordance with its statutory obligations, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, and the Group's own Board policies and charters. The Group's corporate governance policies and charters are available on its website at: <https://lynchgroup.com.au/investor-centre>.

Corporate governance framework

The Group's corporate governance framework ensures it complies with its corporate regulatory obligations. It is integral to being an ethical, high-performing organisation that strives to create long-term value for its stakeholders. Listing on the ASX in 2021 was a catalyst for the Group to enhance its enterprise-wide corporate governance and risk management framework and its foundational policies, processes, and systems. The Group annually reports on its adherence to and performance on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th ed).

Launching **FLOURISH** sets in motion a significant governance initiative for the Group. The Group has established a Sustainability team which includes Senior Executives of the Group. This team has responsibility for strategic execution of **FLOURISH**.

The Sustainability team is connected to, though distinct from, the Group's risk management teams and all regularly report to the Audit and Risk Committee. Reflective of the elevated role that sustainability plays in capital allocation and other strategic decision-making, **FLOURISH** is becoming imbedded into the Group's planning process.

Governance cont.



Other financial, tax and corporate reporting frameworks

The Group is fully cognisant of its statutory obligations around financial, tax and other corporate reporting. A suite of corporate governance policies is publicly available on the Group's website. Transparency and communication with key stakeholders occur regularly in line with ASX updates on performance.

In FY23 the Group completed ETI reviews for all Kenyan floral farms and many Australian potted farms. The Group plans to extend the ETI profile record system in FY24.

Continued refinement of its internal procurement systems not only underpins the Group's annual Modern Slavery reporting but is a valuable and practical demonstration of its broader respect for internationally recognised human rights.



IT systems and data privacy

The Group is committed to ensuring the robustness of its IT platform to support its operations and protect from cyber security threats.

The Group acknowledges the crucial role of cyber security in its operations. Its commitment to cyber security is demonstrated through reliance on industry-standard solutions leveraging up to date security features. Mandatory cyber security awareness training for employees occurs regularly supported by internal audit testing and up to date research and understanding on new cyber threats.



Key risks

There are a number of factors, both specific to the Group and of a general nature, which may threaten both the future operating and financial performance of the Group. These risks are outlined in detail in the Directors' Report and also noted below. Key risks include and are not limited to:

- Ethical trade and social licence to operate.
- Health and safety.
- Environmental risk (including climate-related risk).
- Market disruption (including pandemic risk).
- Macro-economic conditions (including inflationary impacts, cost pressures and rising interest rates).
- People capability and labour availability.
- Customer concentration risk.
- Key suppliers and other strategic relationships.
- Geopolitical risks of operating in China.
- Changes to Australia's quarantine and customs requirements.
- Foreign currency exposure.
- Glyphosate.
- Cyber security.

The Group is committed to transparency and disclosure of its key risks as well as the mitigating factors in place to protect against them.



Assumptions in calculation of carbon emissions

The following assumptions relate to the disclosed carbon emissions within the environmental section of this report.

- Emissions calculations utilise industry-standard calculation tools and methodologies. Data analysis and calculations have been carried out using appropriate software and tools in alignment with international reporting standards utilising University of Western Sydney expert resources.
- Emissions of liquid fuels, such as diesel and unleaded petrol, are expressed as kg CO₂-eq/L.
- The density of diesel is assumed to be 0.84–0.85kg/L and unleaded petrol is assumed to be 0.74kg/L.
- Coal is assumed to be 'bituminous coal', and biomass is considered as 'biomass, municipal and industrial materials if combusted to produce heat or electricity.'
- Vehicles used and owned by the Group are categorised as light commercial vehicles with emissions calculated as Distance travelled (km) * Emission factor (kg CO₂-e/km).
- Distance travelled for air transport is split between very short haul (<800km), short haul (800–1500km), medium-haul (1500–4000km), and long haul (>4000km). The emission factor is quantified using global average processes provided by the Eco Invent database, which integrates air freight type, lifespan, loading and geography. This does not evaluate carbon emissions for each individual flight.
- Distance travelled for sea transport is determined using an online sailing route calculator, selecting the shortest route available. Sea transport is assumed to equip with reefer in default to maintain product freshness. Carbon emission factors for sea transport are quantified using global average processes for transoceanic ships, as delivered by the Eco Invent database. This does not evaluate carbon emissions for each individual voyage.
- Road transport, including port-to-warehouse and customer delivery within Australia, are assumed to be provided by third parties in default. Road transport assumes a typical truck (16–32t) with an average loading capacity of 5.79t, considering the weight of products delivered each time.
- Scope 1 includes fuel consumption from Group operated vehicles, natural gas, coal, diesel and biomass usage. Scope 2 includes purchased electricity. Selected scope 3 includes air, sea, and road transport only. This methodology follows the National Greenhouse Emission Reporting (NGER) guidelines.

The reporting on carbon emissions has been prepared on a voluntary basis in conjunction with expert resources from the University of Western Sydney and based on the assumptions noted above. Data utilised in the preparation carbon emissions may not be fully complete. Future preparation of emissions data may not be on the same basis or using the same assumptions as the data presented in this report as accounting and reporting standards continue to develop and evolve. Carbon emissions reported have not been subject to any form of assurance process.

REMUNERATION REPORT (AUDITED)

Remuneration report (audited)

This report sets out the remuneration arrangements for the Group's key management personnel (KMP). It forms part of the Directors' Report and has been prepared and audited in accordance with section 300A of the *Corporations Act 2001 (Cth)*.

KMP are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly. The Group's KMP for the financial year ended 2 July 2023 include Non-Executive Directors and Senior Executives. Senior Executives include Executive Directors.

Non-Executive Director

Name	Position
Patrick Elliott	Chair and Non-Executive Director
Elizabeth Hallett	Independent Non-Executive Director
Peter Clare	Independent Non-Executive Director
Peter Arkell	Independent Non-Executive Director

Senior Executives

Name	Position
Hugh Toll	Group Chief Executive Officer (CEO) and Executive Director
Steve Wood	Group Chief Financial Officer (CFO) and Company Secretary
David Di Pietro	Chief Executive Officer, Australia
Dirk Vlaar	Chief Executive Officer, China

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive remuneration and 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 is considered to conform to the market best practice for the delivery of reward. The Board ensures that the 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.
- termination payments, if any, are justified and appropriate.

Remuneration and Nomination Committee

Name	Position
Elizabeth Hallett	Chair
Peter Clare	Member
Peter Arkell	Member

The Remuneration and Nomination Committee (RNC) is responsible for final approval of matters relating to succession planning, nomination and remuneration of Directors and Senior Executives. The role of the RNC is to:

- Review and recommend to the Board executive remuneration generally (including, but not limited to, base pay, incentive payments, equity awards, termination payments and service contracts), specific remuneration for Senior Executives of the Group, and levels of remuneration for Non-Executive Directors, including fees, superannuation, and other benefits.
- Review and recommend to the Board, the size and composition of the Board (including review of Board succession plans and the succession of the Chair of the Board and Executive Directors) having regard to the objective that the Board comprise Directors with a broad range of skills, expertise, and experience from a broad range of backgrounds, including gender.
- Review and recommend to the Board the criteria for Board membership, including the necessary and desirable competencies of Board members and the time expected to be devoted by Non-Executive Directors in relation to the Group's affairs.
- Review and make recommendations to the Board in respect of membership of the Board, including making recommendations for the re election of Directors, subject to the principle that a committee member must not be involved in making recommendations to the Board in respect of themselves and assisting the Board as required to identify individuals who are qualified to become Board members (including in respect of Executive Directors).
- Assist the Board as required in relation to the performance evaluation of the Board, its committees, and individual Directors, and in developing and implementing plans for identifying, assessing, and enhancing Director competencies.
- Ensuring that appropriate checks are undertaken before appointing a potential candidate or putting forward a candidate to shareholders for approval.
- Ensuring that an effective induction process is in place.
- Reviewing the effectiveness of the Group's Diversity Policy by assessing the Group's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives and reporting to the Board any changes to the measurable objectives, strategies, or the way in which they are implemented.
- In accordance with the Group's Diversity Policy, on an annual basis, review the relative proportion of women and men in the workforce at all levels of the Group, and submit a report to the Board which outlines the Committee's findings.

Remuneration consultant

From time to time the RNC may engage with external remuneration consultants to review the structure of the executive remuneration framework to ensure it is market competitive and complementary to the reward strategy of the Group. The RNC did not obtain services from a remuneration consultant during the current reporting period. The RNC did obtain services from remuneration consultants Egan Associates Pty Limited during the previous reporting period.

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

REMUNERATION REPORT CONT.

Non-Executive Director remuneration

Under the Constitution, shareholders may, in a general meeting, determine the maximum aggregate remuneration to be provided to or for the benefit of the Directors as remuneration for their services as a Director. Further the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the members of the Group in a general meeting.

Initially, and until a different amount is determined, the Constitution provides that the maximum aggregate Directors' remuneration is \$750,000 per annum. This amount excludes, among other things, amounts payable to any Executive Director under any services agreement with the Group or any special remuneration which the Board may grant to its Directors for special exertions or additional services performed by a Director for or at the request of the Group, which may be made in addition to or in substitution for the Director's fees.

The annual Directors' fees currently agreed to be paid are \$175,000 to the Non-Executive Chair of the Board and \$100,000 to each of the other Non-Executive Directors. In addition, Directors are paid \$20,000 for each of the roles of Chair of the Audit and Risk Committee and the remuneration and Nomination Committee, and \$10,000 for members of those Committees. Peter Arkell is paid an additional \$10,000 for China based services. Superannuation payments are included in the Directors' fees. There was no change to these amounts from the prior year.

Executive remuneration

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

Executive remuneration and reward framework

Fixed	Variable	Variable
Fixed remuneration	Short-term incentive (STI)	Long-term incentive (LTI)
Benchmarked against market	Based on financial targets set by the Board	Grant of options over ordinary shares in the Group (options) that may convert to ordinary shares
Based on role and responsibilities	Based on annual targets and paid annually	Vesting subject to Earnings Per Share (EPS) and Total Shareholder Return (TSR) hurdles
Reviewed annually	Paid in cash	Vesting period of 3–5 years

Financial performance

The Group's performance for financial years ended June 2023 and June 2022 is outlined below:

	June 2023 \$'000s	June 2022 \$'000s
EBITDA	42,310	48,216
Net profit before tax	13,276	24,874
Net profit after tax	9,940	19,580

	June 2023 \$	June 2022 \$
Share price at start of year	2.10	3.65
Share price at end of year	2.61	2.10
Interim dividend	—	0.06
Final dividend	0.07	0.06
Basic earnings per share	8.14	16.04
Diluted earnings per share	8.14	16.04

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits are based on individual and Group financial performance and benchmarked against comparable market remunerations on an annual basis.

Short-Term Incentive Scheme (STI)

The STI is a variable cash-based component of Executive remuneration which is subject to the achievement of performance conditions. The STI aligns the performance hurdles of Senior Executives with the overall targets of the Group.

Participation	Senior Executives and selected Senior Managers
Period	Financial year ended June 2023
Incentive as proportion of fixed remuneration	0%–80%
Conditions	Achievement of earnings before interest, depreciation, and amortisation (EBITDA) targets. The STI must also self-fund by delivering incremental earnings above target EBITDA sufficient to satisfy the cost of the plan. These performance conditions were chosen to closely align participants' STI outcomes with the performance of the Group.

REMUNERATION REPORT CONT.

Principal Risks cont.

Potential	The STI potential as a proportion of the fixed remuneration (base salary + superannuation) for KMP are:		
		Minimum	Maximum
	Hugh Toll	0%	80%
	Steve Wood	0%	60%
	David Di Pietro	0%	60%
	Dirk Vlaar	0%	60%
Eligibility	The participant must be employed and performing duties and responsibilities of role to the satisfaction of the Board at the time of payment. The participant must not be serving out any period of notice of termination (however arising), on gardening leave, on suspension, subject to any investigation for misconduct, subject to any performance management process, or subject to any disciplinary process.		
Discretion	The STI is at the discretion of the CEO, Board and RNC and is subject to change or cancellation at any time. The CEO has no discretion over his own STI.		
Payment date	Payment for actual STI awarded is made in July 2023.		

Award and percentage of STI payable and forfeited for KMP for the financial year ended June 2023

KMP	Max. STI potential (\$)	Actual STI awarded (\$)	Actual STI as % of Max. STI	% Of Max. STI forfeited
Senior Executives				
Hugh Toll	484,000	121,000	25%	75%
Steve Wood	224,559	56,140	25%	75%
David Di Pietro	266,108	49,895	19%	81%
Dirk Vlaar	225,702	56,426	25%	75%
	1,200,369	283,461	24%	76%

Long-term incentive Scheme

Year ended June 2023 LTI plan

The Group has offered a Long-term incentive scheme (LTI) in the financial year ended June 2023 to assist in the motivation, reward and retention of Senior Executives and other selected Senior Managers. The LTI is designed to align participants' interests with the interests of shareholders by providing participants an opportunity to receive ordinary shares in the company through the granting of options. The key terms of the LTI are noted below:

Term	Description														
Eligibility	Senior Executives and other selected Senior Managers of the Group may participate in the LTI. Eligibility to participate in the LTI and the number of options offered to each participant will be determined by the Board.														
Grants	The Group intends that the maximum notional value of options offered to the Group CEO will be 60% of their total fixed remuneration and for other selected Senior Managers will be between 10% and 40% of their total fixed remuneration.														
	Financial year ended June 2023 2,541,793 options over shares in the company were granted under the grant for the financial year ended June 2023. The options granted varied between participants, and were allocated as follows:														
	<table><tr><th>Participant</th><th>Options granted</th></tr><tr><td>Hugh Toll¹</td><td>–</td></tr><tr><td>Steve Wood</td><td>258,903</td></tr><tr><td>David Di Pietro</td><td>377,608</td></tr><tr><td>Dirk Vlaar</td><td>229,861</td></tr><tr><td>Other Senior Managers</td><td>1,675,421</td></tr><tr><td>Total Grant for financial year ended June 2023</td><td>2,541,793</td></tr></table>	Participant	Options granted	Hugh Toll ¹	–	Steve Wood	258,903	David Di Pietro	377,608	Dirk Vlaar	229,861	Other Senior Managers	1,675,421	Total Grant for financial year ended June 2023	2,541,793
	Participant	Options granted													
	Hugh Toll ¹	–													
	Steve Wood	258,903													
	David Di Pietro	377,608													
	Dirk Vlaar	229,861													
	Other Senior Managers	1,675,421													
Total Grant for financial year ended June 2023	2,541,793														
¹ The issue of 772,649 options to Hugh Toll under the grant for the financial year ended June 2023 is subject to Shareholder approval at the company's AGM in November 2023.															
Vesting conditions	<p>Options vest subject to an EPS hurdle and a TSR hurdle over the performance period. 50% of the options are subject to the EPS hurdle with the remaining 50% subject to the TSR hurdle.</p> <p>The EPS vesting percentages will correspond to the Group’s annual compounding EPS growth over the performance period (adjusted where necessary to consider one off items as determined by the Board), and are as follows:</p> <ul style="list-style-type: none">• Annual compounding EPS less than 8%: 0% of options will vest.• Annual compounding EPS equal to 8%: 0% of options will vest.• Annual compounding EPS between 8% and 12%: options will vest on a straight line pro-rata basis between 0% and 100%.• Annual compounding EPS greater than 12%: 100% of options will vest.														

REMUNERATION REPORT CONT.

Long term incentive Scheme cont.

Term	Description
Vesting conditions cont.	<p>The TSR vesting percentages will be determined by comparison of the Group's TSR against the TSR of companies which comprise the ASX300 index:</p> <ul style="list-style-type: none"> Group TSR in the bottom quartile (0%–25%) of the ASX300 index: 0% of options will vest; Group TSR in the second quartile (25%–50%) of the ASX300 index: 33% of options will vest; Group TSR in the third quartile (50%–75%) of the ASX300 index: 66% of options will vest; and Group TSR in the top quartile (75%–100%) of the ASX300 index: 100% of options will vest. <p>None of the options will vest during the first two years of the five-year performance period. During each of the third, fourth and fifth year of the performance period, 1/3 of the options will be eligible to vest (in the manner set out above) if the Group has achieved the relevant compounded EPS target and/or TSR target at the end of that year.</p> <p>To the extent that any options which vest in years 3 and 4 do not vest due to the Group not achieving the relevant EPS or TSR target, those options will be subject to retesting based on the Group's annual compounding EPS and TSR performance until the option expires (i.e., in years 4 or 5 (as applicable)).</p> <p>In addition to the EPS performance condition, it is a vesting condition that the relevant participant has been continuously employed by a member of the Group (and has not resigned or been terminated) at all times up to (and including) the relevant vesting date.</p> <p>These performance conditions were chosen to closely align participants' LTI outcomes with the performance of the Group.</p>
Terms and conditions	The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the LTI.
Options	Each option confers on its holder the entitlement to receive one or more shares in the company at the exercise price upon exercise of the option. Options will not be quoted on the ASX.
Issue price	The options will be issued for nil consideration.
Exercise price	\$1.84 being the volume weighted average price of an ordinary share in the Group listed on the Australian Securities Exchange for the month of May 2023.
Performance period	Five years following the date of grant of the options to the relevant participant.
Ranking of shares	Shares issued upon vesting and exercise of options under the LTI will rank equally in all respects with existing ordinary shares.
Rights attaching to options	The options do not carry rights to dividends or voting rights prior to exercise.

Term	Description
Restrictions on options	Except as permitted by the Board, a participant must not sell, transfer, encumber, hedge or otherwise deal with options. Once options are exercised and shares are issued in their place, generally no disposal restrictions apply to shares, other than the restrictions that apply under the Group's Securities Trading Policy. However, the Board may determine to apply disposal restrictions to those shares on a case-by-case basis at the time of granting options.
Vesting and exercise of options	Subject to any vesting conditions having been satisfied or waived by the Board in its discretion, an option may be exercised in accordance with the relevant participant's invitation and by the participant paying the exercise price.
Lapse of options	Unless otherwise specified in a participant's invitation or otherwise determined by the Board, an option will lapse if any vesting condition applicable to the option has not been satisfied or waived in accordance with its terms or is not capable of being satisfied; or the expiry of the exercise period; or in certain circumstances if the participant's employment is terminated; or in other circumstances specified in the LTI rules.
Cessation of employment of holders of options	The LTI contains provisions concerning the treatment of unvested and vested options in the event a participant ceases employment as a result of death or serious and debilitating illness. In other circumstances the Board has absolute discretion in the treatment of unvested and vested options in the event a participant ceases employment.
Change of control	In the event of a change of control, the Board may, in its absolute discretion, determine the manner in which any or all the participant's options will be dealt with. This may include determining that all or some of a participant's options are vested and may be exercised.
Capital restructure	In the event of a capital restructure the Board may make such adjustments (including to matters such as exercise price, number of options held, or number of shares received on exercise) as the Board deems appropriate. A participant holding an option is not entitled to participate in any new issue of securities with respect to the option.
Employee share trust	The Group may establish, on such terms and conditions as determined by the Board in its discretion, an employee share trust to assist with operation of the LTI, including facilitating the provision of shares to participants when options are exercised.
Expiry of options	Options will expire on a date fixed in the offer letter to the participant. On the expiry date for an option, the option will lapse unless it has been validly exercised.
Amendments	The Board may amend the LTI rules or waive or modify the application of the LTI rules in relation to a participant, provided that (except in specified circumstances) if such amendment would adversely affect the rights of participants in respect of any options already held by them, the Board must obtain the consent of that participant before that amendment applies to that participant's existing options.

REMUNERATION REPORT CONT.

Summary of remuneration mix

The remuneration mix for the financial year ended June 2023 for the KMP is:

KMP	Fixed	STI	LTI	Total
Non-Executive Directors				
Patrick Elliott	100%	n/a	n/a	100%
Elizabeth Hallett	100%	n/a	n/a	100%
Peter Clare	100%	n/a	n/a	100%
Peter Arkell	100%	n/a	n/a	100%
	100%	0%	0%	100%
Senior Executive				
Hugh Toll	93%	0%	7%	100%
Steve Wood	95%	0%	5%	100%
David Di Pietro	95%	0%	5%	100%
Dirk Vlaar	97%	0%	3%	100%
	95%	0%	5%	100%

KMP contract terms

Non-Executive Directors are party to letters of appointments. Non-Executive Director fees are fixed and do not include any performance-based remuneration. No fixed term is specified.

Senior Executives are party to a written executive service agreement with the Group. Key terms of Senior Executive service agreements are:

Senior Executive	Contract Term	Notice by the Group	Notice by Executive	Post-employment restrictions ¹
Hugh Toll	n/a	6 Months	6 Months	Yes
Steve Wood	n/a	6 Months	6 Months	Yes
David Di Pietro	n/a	3 Months	3 Months	Yes
Dirk Vlaar	n/a	3 Months	3 Months	Yes

¹ Senior Executive KMP service agreements include post-employment restrictions in order to protect the goodwill of the Group and its confidential information. These restrictions are designed to protect the Group from loss of business or employees as a direct result of Senior Executives competing against the Group in the same industry.

Details of remuneration

Amounts of remuneration for KMP for the financial year ended June 2023 was as follows:

KMP	Short term cash salary and fees (\$)	Short term cash bonus (\$)	Termination benefits (\$)	Post employment benefits (\$)	Equity settled (\$) ¹	Total (\$)
Non-Executive Directors						
Patrick Elliott	158,371	—	—	16,629	—	175,000
Elizabeth Hallett	117,647	—	—	12,353	—	130,000
Peter Clare	117,647	—	—	12,353	—	130,000
Peter Arkell	117,647	—	—	12,353	—	130,000
	511,312	—	—	53,688	—	565,000
Senior Executive						
Hugh Toll ²	577,500	—	—	27,500	45,190	650,190
Steve Wood	346,765	—	—	27,500	19,555	393,820
David Di Pietro	416,013	—	—	27,500	21,829	465,342
Dirk Vlaar	344,254	—	—	—	9,108	353,362
	1,684,532	—	—	82,500	95,682	1,862,714
	2,195,844	—	—	136,188	95,682	2,427,714

¹ Represents the accounting value recognised in profit and loss in accordance with AASB 2 Share-based payments during the financial year ended June 2023 in relation to options granted to Senior Executives under the Group's long-term incentive plan.

² Equity settled remuneration for Hugh Toll includes a service amount estimate recognised in the financial year ended June 2023 in respect of an issue of options which is subject to Shareholder approval at the company's AGM in November 2023.

REMUNERATION REPORT CONT.

Details of Remuneration cont.

Amounts of remuneration for KMP for financial year ended June 2022 was a follows:

KMP	Short term cash salary and fees (\$)	Short term cash bonus (\$)	Termination benefits (\$)	Post employment benefits (\$)	Equity settled (\$) ¹	Total (\$)
Non-Executive Directors						
Patrick Elliott	159,091	—	—	15,909	—	175,000
Elizabeth Hallett	118,182	—	—	11,818	—	130,000
Peter Clare	118,182	—	—	11,818	—	130,000
Peter Arkell	118,182	—	—	11,818	—	130,000
	513,637	—	—	51,363	—	565,000
Senior Executive						
Hugh Toll ²	484,829	—	—	27,500	58,169	570,498
Steve Wood	302,249	—	—	27,500	37,535	367,284
David Di Pietro	401,015	—	—	27,500	24,388	452,903
Dirk Vlaar ³	101,944	—	—	—	1,616	103,560
John Khalil ⁴	313,776	—	—	18,333	(4,404)	327,705
	1,603,813	—	—	100,833	117,304	1,821,950
	2,117,450	—	—	152,196	117,304	2,386,950

¹ Represents the accounting value recognised in profit and loss in accordance with AASB 2 Share-based payments during the financial year ended June 2022 in relation to options granted to Senior Executives under the Group's long-term incentive plan.

² Equity settled remuneration for Hugh Toll includes a service amount estimate recognised in the financial year ended June 2022 in respect of an issue of options which was subject to Shareholder approval at the company's AGM in November 2022.

³ Dirk Vlaar became a member of the KMP on 1 March 2022. Remuneration is from the date Dirk Vlaar became a member of the KMP which is approximately 4 months of the financial year.

⁴ John Khalil ceased to be a member of the KMP on 1 March 2022. Remuneration is up to the date John Khalil ceased to be a member of the KMP which is approximately 8 months of the financial year.

Equity Instruments

The movement in ordinary shares in the company held by KMP either directly, indirectly, or beneficially for the financial year ended June 2023 was as follows:

KMP	Opening balance	Shares purchased	Closing balance
Non-Executive Directors			
Patrick Elliott ¹	408,139	–	408,139
Elizabeth Hallett	27,777	–	27,777
Peter Clare ²	69,443	110,000	179,443
Peter Arkell	16,666	–	16,666
	522,025	110,000	632,025
Senior Executive			
Hugh Toll	639,999	–	639,999
Steve Wood	237,300	–	237,300
David Di Pietro	299,999	–	299,999
Dirk Vlaar	101,495	–	101,495
	1,278,793	–	1,278,793

¹ Patrick Elliott holds shares in the company via entities for which he is not the registered holder. Elliott Services Pty Limited as trustee of the Elliott Family Trust holds 138,889 shares, Avanteos Investments Limited as trustee for the Elliott Superannuation A/C holds 164,276 shares and Avanteos Investments Limited as trustee for the Elliott Family A/C holds 104,974 shares.

² Peter Clare holds shares in the company via entities for which he is not the registered holder. GHWE Capital Pty Ltd as trustee for the Peter Clare Family Trust holds 144,721 shares and Moore Park Nominees Pty Ltd as trustee for the Peter Clare & Ass. Super Fund holds 34,722 shares.

REMUNERATION REPORT CONT.

Share Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP in this financial year or future reporting years are:

Grant date	Vesting date ¹	Expiry date	Exercise price	Fair value per option at grant date
LTI grants for the financial year ended June 2021				
Between 6 April 2021 and 6 May 2021	30 June 2024	30 June 2027	\$3.60	TSR – \$0.96 EPS – \$1.07
Between 6 April 2021 and 6 May 2021	30 June 2025	30 June 2027	\$3.60	TSR – \$1.03 EPS – \$1.09
Between 6 April 2021 and 6 May 2021	30 June 2026	30 June 2027	\$3.60	TSR – \$1.06 EPS – \$1.12
LTI grants for the financial year ended June 2022				
16 June 2022 and 25 November 2022	30 June 2025	30 June 2028	\$2.24	TSR – \$0.40 EPS – \$0.44
16 June 2022 and 25 November 2022	30 June 2026	30 June 2028	\$2.24	TSR – \$0.43 EPS – \$0.45
16 June 2022 and 25 November 2022	30 June 2027	30 June 2028	\$2.24	TSR – \$0.44 EPS – \$0.45
LTI grants for the financial year ended June 2023				
31 May 2023	30 June 2026	30 June 2029	\$1.84	TSR – \$0.45 EPS – \$0.48
31 May 2023	30 June 2027	30 June 2029	\$1.84	TSR – \$0.48 EPS – \$0.49
31 May 2023	30 June 2028	30 June 2029	\$1.84	TSR – \$0.48 EPS – \$0.50

¹ Vesting date is subject to retesting as described in the key terms of the long-term incentive plan rules under the term “vesting conditions”.

Details of Share Option grants for KMP for the financial year ended June 2023 were as follows:

KMP	Type	Number	Grant date	Vesting date ¹	Exercise price
Hugh Toll ²	LTI Options	272,522	25 November 2022	30 June 2025	\$2.24
	LTI Options	272,522	25 November 2022	30 June 2026	\$2.24
	LTI Options	272,523	25 November 2022	30 June 2027	\$2.24
Steve Wood	LTI Options	86,301	31 May 2023	30 June 2026	\$1.84
	LTI Options	86,301	31 May 2023	30 June 2027	\$1.84
	LTI Options	86,301	31 May 2023	30 June 2028	\$1.84
David Di Pietro	LTI Options	125,869	31 May 2023	30 June 2026	\$1.84
	LTI Options	125,869	31 May 2023	30 June 2027	\$1.84
	LTI Options	125,870	31 May 2023	30 June 2028	\$1.84
Dirk Vlaar	LTI Options	76,620	31 May 2023	30 June 2026	\$1.84
	LTI Options	76,620	31 May 2023	30 June 2027	\$1.84
	LTI Options	76,621	31 May 2023	30 June 2028	\$1.84

¹ Vesting date is subject to retesting as described in the key terms of the long-term incentive plan rules under the term "vesting conditions".

² Hugh Toll was issued 817,567 options under the grant for the financial year ended June 2022 following Shareholder approval at the company's AGM in November 2022. The issue of 772,649 options under the grant for the financial year ended June 2023 to Hugh Toll is subject to Shareholder approval at the company's AGM in November 2023.

Movement in options held by KMP for the financial year ended June 2023 were as follows:

KMP	Opening balance	Granted	Vested	Forfeited	Closing balance
Senior Executives					
Hugh Toll ¹	275,229	817,567	—	—	1,092,796
Steve Wood	452,854	258,903	—	—	711,757
David Di Pietro	514,662	377,608	—	—	892,270
Dirk Vlaar	239,481	229,861	—	—	469,342
	1,482,226	1,683,939	—	—	3,166,165

¹ Hugh Toll was granted 817,567 options under the 2022 LTI plan after approval at the company's AGM in November 2022. An additional issue of 772,649 options to Hugh Toll is subject to Shareholder approval at the company's AGM in November 2023 under the 2023 LTI plan.

Senior Executives received a grant of options on 31 May 2023 as the LTI component of their remuneration package. No options were granted to Non-Executive Directors. Options carry no dividend or voting rights.

This concludes the remuneration report which has been audited.

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Group, the Company Secretary, and all Executive Officers of the Group and of any related body corporate against a liability incurred as such a Director, secretary or Executive Officer to the extent permitted by the *Corporations Act 2001* (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

During or since the end of the financial year, no person has applied to the court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings in respect of the Group, or to bring or intervene in any proceedings on behalf of the Group.

Non-audit services

Details of the amounts paid to the auditor of the Group, Deloitte Touche Tohmatsu, and its network firms for audit and non-audit services provided during the period are included in Note 32 of the notes to the consolidated financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by Deloitte Touche Tohmatsu as the auditor (or by another person or firm on the auditors behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The Directors are of the opinion that the services provided do not compromise the external auditor's independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company or Group, acting as an advocate for the company or Group, or jointly sharing economic risks and rewards.

Environmental regulations

The Group is subject to various state and federal environmental regulations and has procedures in place to manage the Group's environmental responsibilities and compliance. No material breaches of the requirements or any environmental issues have been identified during the year, and to the best of the Directors' knowledge and belief, all activities have been undertaken in compliance with environmental regulations.

Rounding amounts

ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, applies to the Group and consequently the amounts in the Directors' Report and the financial statements are rounded to the nearest thousand dollars unless otherwise stated.

Director independence

The Board regularly monitors and assesses the independence of each Director. An independent Director is a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board considers many factors including those identified by the ASX Corporate Governance Council. When determining the independent status of a Director, the Board will consider whether the Director:

- is, represents, or has been within the last three years, an officer or staff member of, or professional adviser to a substantial holder.
- is employed, or has previously been employed, in an executive capacity by the company or a member of the Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- has within the last three years been a partner, Director or senior staff member of a material professional adviser or a material consultant to the company or a member of the Group, or a staff member materially associated with the service provided.
- is a material supplier or customer of the company or a member of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- has a material contractual relationship with the company or a member of the Group other than as a Director of the company.
- has any close family ties with any person who falls within any of the categories described above.
- has been a Director of the company for such a period that his or her independence may have been compromised.

All Directors, whether independent or not, should bring an independent judgement to bear on all Board decisions.

On the basis of the above guidelines, the Board has made the following assessments in respect of the company's Directors:

- Independent: Elizabeth Hallett, Peter Clare and Peter Arkell. None of these Directors is a related party of any substantial shareholder of the company, have provided services to the company (other than in their capacity as a Director), or been an employee or officer of a relevant service provider.
- Not independent: Patrick Elliott and Hugh Toll. Patrick Elliott is a partner at Next Capital which is a substantial Shareholder. Hugh Toll is an employee in his role as Group Chief Executive Officer.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out immediately after the Director's Declaration.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



Patrick Elliott
Chair and Non-Executive Director



Hugh Toll
Chief Executive Officer and Executive Director

23 August 2023
Sydney

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 2 July 2023

	Note	June 2023 \$'000	June 2022 \$'000
Continuing operations			
Revenue			
Total revenue	2	395,265	366,497
		395,265	366,497
Add: income			
Other income	3	925	687
Less: expenses			
Changes in inventories		(1,210)	4,081
Raw materials and consumables used		(209,564)	(196,778)
Employee benefits expenses	4	(51,274)	(45,925)
Contractors' expenses		(40,532)	(33,369)
Freight expenses		(29,287)	(27,315)
Depreciation and amortisation expense	4	(23,260)	(20,041)
Selling and marketing expenses		(836)	(963)
Occupancy expenses	4	(1,762)	(1,496)
Other expenses		(19,415)	(17,203)
Finance costs	4	(5,774)	(3,301)
		(381,989)	(341,623)
Profit before income tax expense		13,276	24,874
Income tax expense	5	(3,336)	(5,294)
Profit for the year		9,940	19,580
Other comprehensive (loss) / income that will subsequently be reclassified to profit			
Foreign currency translation differences		(6,636)	8,617
Cash flow hedges – effective portion of changes in fair value net of tax		(327)	289
Other comprehensive (loss) / income, net of tax		(6,963)	8,906
Total comprehensive income attributable to: Lynch Group Holdings Limited			
		2,977	28,486
Earnings per share for profit attributable to ordinary shareholders			
	Note	June 2023 Cents	June 2022 Cents
Basic	6	8.14	16.04
Diluted	6	8.14	16.04

The Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the financial year ended 2 July 2023

	Note	June 2023 \$'000	June 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	36,409	31,985
Trade and other receivables	8	20,034	21,970
Inventories	9	13,271	15,079
Biological assets	10	5,650	4,378
Current tax assets	5	100	166
Other assets	11	4,632	4,629
Total current assets		80,096	78,207
Non-current assets			
Property, plant and equipment	12	86,473	84,182
Right-of-use assets	13	44,057	25,870
Intangible assets	14	191,048	200,548
Total non-current assets		321,578	310,600
Total assets		401,674	388,807
LIABILITIES			
Current liabilities			
Trade and other payables	15	46,641	47,155
Current tax liabilities	5	274	460
Lease liabilities	16	4,981	4,117
Borrowings	18	4,368	4,451
Provisions	17	9,078	8,390
Total current liabilities		65,342	64,573
Non-current liabilities			
Lease liabilities	16	40,474	24,119
Borrowings	18	50,761	51,010
Provisions	17	3,669	2,924
Deferred tax liabilities	5	2,902	3,426
Total non-current liabilities		97,806	81,479
Total liabilities		163,148	146,052
Net assets		238,526	242,755
EQUITY			
Issued share capital	19	245,653	245,653
Reserves	20	9,365	14,814
Accumulated losses		(16,492)	(17,712)
Total equity		238,526	242,755

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 2 July 2023

	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Statutory surplus reserve \$'000	Share-based payments reserve \$'000	Cash flow hedge reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at July 2021		245,653	2,482	515	917	244	(28,470)	221,341
Profit for the year		–	–	–	–	–	19,580	19,580
Other comprehensive income for the year		–	8,617	–	–	289	–	8,906
Total comprehensive income for the year		–	8,617	–	–	289	19,580	28,486
Dividends paid	21	–	–	–	–	–	(7,324)	(7,324)
Share-based payments	30	–	–	–	252	–	–	252
Transfer to statutory surplus	20	–	–	1,498	–	–	(1,498)	–
Balance at June 2022		245,653	11,099	2,013	1,169	533	(17,712)	242,755
Profit for the year		–	–	–	–	–	9,940	9,940
Other comprehensive income for the year		–	(6,636)	–	–	(327)	–	(6,963)
Total comprehensive (loss/ income for the year)		–	(6,636)	–	–	(327)	9,940	2,977
Dividends paid	21	–	–	–	–	–	(7,324)	(7,324)
Share-based payments	30	–	–	–	118	–	–	118
Recycling of share-based payments to retained earnings		–	–	–	(865)	–	865	–
Transfer to statutory surplus	20	–	–	2,261	–	–	(2,261)	–
Balance at June 2023		245,653	4,463	4,274	422	206	(16,492)	238,526

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 2 July 2023

	Note	June 2023 \$'000	June 2022 \$'000
Cash flows from operating activities			
Receipts from customers		429,419	393,202
Payments to suppliers and employees		(387,997)	(350,914)
Receipts from government grants		789	1,309
Interest and other costs of finance paid		(5,624)	(3,151)
Income taxes paid		(4,098)	(5,847)
Net cash generated by operating activities	7	32,489	34,599
Cash flows from investing activities			
Payment for acquisition of business, net of cash acquired		–	(1,189)
Payment for settlement of prior year business combination		–	(8,932)
Payments for property, plant and equipment and intangible assets		(16,204)	(30,050)
Net cash used in investing activities		(16,204)	(40,171)
Cash flows from financing activities			
Proceeds from bank loans	18	5,797	4,482
Repayment of bank loans	18	(5,797)	(3,741)
Payment of borrowing establishment expenses	18	(375)	–
Dividends paid	21	(7,324)	(7,324)
Repayment of principal component of lease liabilities	16	(4,692)	(4,370)
Net cash used by financing activities		(12,391)	(10,953)
Net increase/(decrease) in cash and cash equivalents		3,894	(16,525)
Cash at the beginning of the year		31,985	48,988
Effect of movement in foreign exchange rate		530	(478)
Cash at the end of the year	7	36,409	31,985

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Significant items

A. Reporting entity

Lynch Group Holdings Limited ('the company') is a company limited by shares, incorporated, and domiciled in Australia. The company's shares are publicly traded on the Australian Securities Exchange. The company and its controlled entities ('the Group') is a for profit entity. The principal activity of the Group and its subsidiaries is the horticultural production and wholesale of flowers and plants.

The current reporting period is the financial year ended 2 July 2023. This is the 53-week period from 27 June 2022 to 2 July 2023 and is referred to as June 2023 throughout the consolidated financial statements and notes to the consolidated financial statements. The comparative reporting period is the financial year ended 26 June 2022. This is the 52-week period from 28 June 2021 to 26 June 2022 and is referred to as June 2022 throughout the consolidated financial statements and notes to the consolidated financial statements.

B. Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments and biological assets to fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. All values have been rounded to the nearest thousand unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/19. The financial report has been prepared on a going concern basis.

The consolidated financial statement were authorised for issue by the board of Directors on 23 August 2023.

C. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the Group. Control is achieved when the company has power over the investee or is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-Group transactions, balances, income, and expenses are eliminated in full on consolidation.

D. Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur in the foreseeable future, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance date. Income and expense items (including comparatives) are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and transferred to the translation reserve of the Group. Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed.

E. Accounting policies

Accounting policies that are relevant to the understanding of the financial statements are included throughout the notes to the consolidated financial statements.

F. Critical accounting judgements

The following are the critical judgements that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Intangible assets

Useful lives and residual value of intangible assets (excluding goodwill and indefinite life assets) are reviewed annually. Judgment is applied in determining the useful lives of intangible assets. Any reassessment of useful lives and residual value in a particular year will affect amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

G. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below or elsewhere in the financial statements.

Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the higher of 'fair value less cost of disposal' and 'value in use' of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Performance

1. Segment performance

Segment information is reported in a manner consistent with internal reporting that is provided to the Chief Operating Decision Maker ('CODM'). The CODM is the Board of Directors. The CODM is responsible for allocating resources and assessing the performance of operating segments.

Identification of reportable operating segments

The Group is organised into two operating segments:

- **Australia**

The Australian segment operates a vertically integrated production farm and wholesale operation in Australia; and

- **China**

The China segment operates a production farm and distribution operation in China, primarily supplying the domestic China market as well as the Australian segment.

Information about reportable operating segments

The CODM reviews Revenue and Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) total at an operating segment level. Depreciation and amortisation, finance costs and income tax expense are reviewed at a Group level. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. There is no aggregation of operating segments. The information reported to the CODM is monthly.

It is the Group's policy that business support or corporate costs that are not directly attributable to an operating segment are allocated to the Australian segment which is the Group's largest segment on the basis that the majority of these resources are utilised by the Australia segment. Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Seasonality

The Australian segment is affected by seasonality where December, February and May are months with higher sales due to Christmas, Valentine's Day, and Mother's Day events. Sales during spring reflect increase in demand of plant products. The segment's external revenue is derived predominately from sales to major supermarkets in Australia.

The China segment is affected by seasonality where volumes are generally higher in the summer months (June, July, and August) however pricing is generally lower during the same months due to increased competition in the China domestic market. The segment's external revenue is derived predominately from sales to major supermarkets, wholesalers and online marketplaces in China and supplying the Australia segment.

Major customers

During the year ended June 2023 approximately 69% (June 2022: 70%) of the Group's external revenue was derived from sales to major supermarkets in Australia including Coles, Woolworths, and ALDI. The reduction of the percentage of sales comprised of major Australian supermarkets in the current reporting period should be considered in the context of the expansion of the Group's China operations following the acquisition and subsequent consolidation of Van den Berg Asia Holdings Limited as a consolidated entity for the full reporting period. This reduction also lowers the inherent customer concentration risk of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Intersegment transactions

Intersegment transactions are made at market rates. The Australia operating segment purchases floral and other products from the China operating segment. Intersegment transactions are eliminated on consolidation. Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Segment performance, assets and liabilities for the current and previous year is outlined below:

June 2023	Australia \$'000	China \$'000	Intersegment eliminations \$'000	Total \$'000
Segment revenue – sales to customers				
Flowers	263,642	97,030	(25,490)	335,182
Plants	60,083	–	–	60,083
	323,725	97,030	(25,490)	395,265
EBITDA	20,253	22,057	–	42,310
Depreciation and amortisation				(23,260)
Finance costs				(5,774)
Profit before income tax expense				13,276
Income tax expense				(3,336)
Profit after income tax expense				9,940
Segment assets	337,083¹	186,558¹	(121,967)	401,674
Segment liabilities	139,863	145,252	(121,967)	163,148

¹ Includes capital additions of \$5,960,000 in Australia and \$10,684,000 in China.

June 2022	Australia \$'000	China \$'000	Intersegment eliminations \$'000	Total \$'000
Segment revenue – sales to customers				
Flowers	249,494	86,783	(29,580)	306,697
Plants	59,800	–	–	59,800
	309,294	86,783	(29,580)	366,497
EBITDA	23,184	25,032	–	48,216
Depreciation and amortisation				(20,041)
Finance costs				(3,301)
Profit before income tax expense				24,874
Income tax expense				(5,294)
Profit after income tax expense				19,580
Segment assets	320,376¹	192,692¹	(124,261)	388,807
Segment liabilities	124,754	145,559	(124,261)	146,052

¹ Includes capital additions of \$2,971,000 in Australia and \$29,462,000 in China.

2. Revenue

Revenue is comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Sales of goods – Flowers	335,182	306,697
Sales of goods – Plants	60,083	59,800
	395,265	366,497

The Group recognises revenue predominantly from horticultural production and wholesale of flowers and plants. Revenue is recognised when the Group's performance obligation has been satisfied, generally at the point of delivery which is when the customer obtains control of the flowers and plants, and net of reversals for returned goods subject to 'sale or return' policy. All revenue is stated net of the amount of goods and services tax (GST).

Sales of goods – flowers

Bunches of cut flowers, either single flowers or multiple varieties, with or without foliage. Flowers typically have a short shelf life (7–8 days) with delicate handling requirements and a complex supply chain.

Sales of goods – plants

Low maintenance indoor potted plants produced with or without visually appealing ceramic pot. Plants typically have a long shelf life (up to 5 years).

Disaggregation of revenue by geography is set out in Note 1.

3. Other income

Other income is comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Government grants	289	1,309
Insurance proceeds	500	–
Fair value gain/(loss) on biological assets	136	(622)
	925	687

In the current financial year, the Group received \$289,000 (June 2022: \$1,309,000) agricultural sector government grants in China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

4. Expenses

Significant expense items disclosed in the consolidated statement of profit and loss are set out below.

Employee benefit expenses are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Employee benefits expenses		
Salaries (including on costs)	46,397	40,392
Superannuation costs	3,097	2,966
Leave entitlements	51	977
Other employee expenses	1,729	1,590
	51,274	45,925

Finance costs are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Finance costs		
Interest expense on borrowings	3,154	1,653
Amortisation of borrowing costs	150	150
Interest expense on lease liabilities	2,375	1,410
Interest on contractual make good obligations	95	88
	5,774	3,301

Depreciation and amortisation expenses are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	11,149	8,103
Depreciation of right-of-use assets	5,957	5,536
Amortisation of intangible assets	6,154	6,402
	23,260	20,041

Occupancy expenses are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Occupancy expenses		
Variable lease payments	1,702	1,436
Short term lease payments	60	60
	1,762	1,496

5. Income tax

The major components of income tax expense, including current and deferred income tax, in the consolidated statement of profit and loss are set out below:

	June 2023 \$'000s	June 2022 \$'000s
Income tax expense		
Current tax	3,767	6,371
Prior year adjustment	(60)	(222)
Deferred tax – origination and reversal of temporary differences	(371)	(855)
Aggregate income tax expense	3,336	5,294
Numerical reconciliation of income tax expense and tax at the statutory rate:		
Profit before income tax expense	13,276	24,874
Tax at the statutory tax rate of 30% (2022: 30%)	3,983	7,462
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible items	38	362
Prior year adjustments	(60)	(222)
	3,961	7,602
Difference in overseas tax rates	(625)	(2,308)
Income tax expense	3,336	5,294

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is considered in the determination of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Deferred tax assets and liabilities comprised temporary differences attributable to:

	June 2023 \$'000s	June 2022 \$'000s
Deferred tax assets		
Lease liabilities	12,328	7,986
Employee benefits	2,637	2,644
Section 40-880 expenditure	1,242	1,887
Allowance for expected credit losses	101	55
Inventories	616	200
Other provisions	774	338
Trade and other payables	832	901
	18,530	14,011
Deferred tax liabilities		
Intangible assets	8,603	10,190
Right-of-use assets	11,802	7,079
Property, plant and equipment	1,027	102
Other	–	66
	21,432	17,437
Net deferred tax liability	2,902	3,426

The movement of net deferred tax assets/(liabilities) during the year is as follows:

	June 2023 \$'000s	June 2022 \$'000s
Movements		
Opening balance	3,426	4,337
Credited to profit or loss	(371)	(1,077)
(Credited)/debited to other comprehensive income	(153)	98
Additions through business combinations (Note 25)	–	68
Closing balance	2,902	3,426

The current tax asset/liability as at reporting date is as follows:

	June 2023 \$'000s	June 2022 \$'000s
Current tax asset	100	166
Current tax liability	274	460

5. Income tax cont.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for in respect of differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and branches except where the Group can control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

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

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the head entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

GST

Revenue, expenses, and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority or it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. 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 operating cash flows.

6. Earnings per share (EPS)

	June 2023 \$'000s	June 2022 \$'000s
Profit after tax attributable to owners of the company	9,940	19,580
	Number	Number
Weighted average number of Ordinary shares – Basic EPS	122,066	122,066
Weighted average number of shares – Diluted EPS	122,066	122,066
	Cents	Cents
Basic earnings per share	8.14	16.04
Diluted earnings per share	8.14	16.04

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding 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 consider 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. At June 2023 no shares are assumed to have been issued for nil consideration, as a result of the Option exercise cost exceeding the average share price during the period.

Assets and liabilities

7. Cash and cash equivalents

Cash and cash equivalents, which are all classified as current, are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Cash at bank	36,409	31,985
	36,409	31,985

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The reconciliation of profit after income tax to net cash from operating activities is as follows:

	June 2023 \$'000s	June 2022 \$'000s
Profit after income tax expense for the year	9,940	19,580
Adjustments for:		
Depreciation and amortisation	23,260	20,041
Share-based payments	118	252
Amortisation of borrowing costs	150	150
Net fair value loss/(gain) on biological assets	(136)	622
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,936	(1,563)
Decrease/(increase) in inventories	1,808	(4,601)
(Increase)/decrease in biological assets	(1,272)	573
Decrease in current tax assets	66	325
Increase in other assets	(3)	(1,089)
Decrease in trade and other payables	(4,101)	(795)
Decrease/(increase) in current tax liabilities	(186)	460
Decrease in deferred tax liabilities	(524)	(911)
Increase in provisions	1,433	1,555
Net cash from operating activities	32,489	34,599

Refer to Note 18 for movement in borrowings and Note 16 for movement in lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

8. Trade and other receivables

Trade and other receivables, which are all classified as current, are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Trade receivables and other receivables	20,371	22,152
Provision for expected credit losses	(337)	(182)
	20,034	21,970

Trade receivables are initially recognised at fair value and subsequently measure at amortised costs using the effective interest method, less any allowance for expected credit losses. Trade receivables generally have credit terms between 14–60 days.

Allowance for expected credit losses

The Group recognises a lifetime loss allowance for expected credit losses (ECL) on receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivables. The ECL on receivables is estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	June 2023 %	June 2022 %	June 2023 \$'000	June 2022 \$'000	June 2023 \$'000	June 2022 \$'000
Not overdue	<0.1%	0.1%	17,737	18,536	4	18
0 to 3 months overdue	0.6%	1.1%	2,216	3,294	13	35
3 to 6 months overdue	16.9%	21.0%	118	237	20	50
Over 6 months overdue	100.0%	93.0%	300	85	300	79
			20,371	22,152	337	182

Movements in the allowance for expected credit losses are as follows:

	June 2023 \$'000s	June 2022 \$'000s
Current		
Opening balance	182	215
Expected credit losses recognised	155	–
Unused amounts reversed; net of additional provisions written off	–	(33)
Closing Balance	337	182

9. Inventories

Inventories, which are all classified as current, are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Raw and packaging materials at cost	11,749	13,445
Finished goods at cost	2,785	2,300
Obsolescence provision	(1,263)	(666)
	13,271	15,079

Raw and packaging materials are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and comprises of direct materials, delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Finished goods are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis and comprise of purchase and delivery costs, net of rebates and discounts received or receivable. Costs in relation to biological assets are transferred to inventory at fair value at the date of harvest. 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.

A provision for obsolescence is recognised based on an assessment where the realisable value from sale of inventory is estimated to be lower than the inventory's carrying value. Inventory provisions vary between product categories with estimates of carrying value based on expected losses associated with slow moving inventory items, usually in relation to non-perishable inventory.

10. Biological assets

Biological assets, which are all classified as current, are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Flowers	1,893	1,690
Plants	3,757	2,688
	5,650	4,378

Movement in the carrying value of biological assets is as follows:

	June 2023 \$'000s	June 2022 \$'000s
Carrying amount at start of the year	4,378	4,951
Net fair value increase/(decrease) ¹	136	(622)
Increase due to purchases	71,611	56,251
Decrease due to harvest ¹	(70,475)	(56,202)
Carrying amount at end of the year	5,650	4,378

¹ 'Net fair value (decrease)/increase' and 'Decrease due to harvest' amounts exclude fair value movements (in excess of cost) relating to items sold during the period totalling \$19,156,000 (June 2022: \$14,536,000). Therefore the 'net fair value increase' shown of \$136,000 (June 2022: decrease of \$622,000) represents the change in the fair value amount included in closing biological assets compared to opening biological assets. The 'decrease due to harvest' of \$70,475,000 (June 2022: \$56,202,000) represents the costs of biological assets harvested during the period, excluding fair value movements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

The biological assets of the Group are measured initially and on an ongoing basis at their fair value, less estimated sale costs. Fair value is determined as the net present value of cash flows expected to be generated from the biological assets. The fair value adjustment during the year is recognised within "income" in the consolidated statement of profit or loss and other comprehensive income. Biological assets are transferred to inventory at their fair value at the date of harvest.

The following table outlines the valuation techniques used in measuring the Level 3 fair values and the significant unobservable inputs:

Type	Description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Flowers and plants	These are flowers and potted plants with 4–6-week life cycle	The valuation takes into account expected sales prices, yields, and expected direct costs related to the harvest and sale of the assets and management must make a judgement as to the trend in these factors	<ul style="list-style-type: none"> Estimated post-harvest sales prices Estimated farm yields and stage of maturity Estimated remaining harvest and transportation costs 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the estimated sales prices were higher (lower) the estimated yields per farm were higher (lower) the estimated harvest and transportation costs were lower (higher)

11. Other assets

Other assets, which are all classified as current, are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Prepayments	3,927	3,631
Foreign exchange contracts at fair value	705	998
	4,632	4,629

12. Property, plant and equipment

Property, plant and equipment, which are all classified as non-current are comprised of the following:

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Bearer plants \$'000	Construction in progress \$'000	Total \$'000
Cost						
At July 2021	23,960	33,777	1,909	4,532	10,022	74,200
Additions	18,890	8,775	164	3,384	1,159	32,372
Acquired through business combinations	75	–	–	–	–	75
Exchange differences	1,377	2,213	47	453	581	4,671
Disposals	–	(727)	(252)	(149)	–	(1,128)
At June 2022	44,302	44,038	1,868	8,220	11,762	110,190
Additions	9,203	12,943	135	1,086	(6,727)	16,640
Exchange differences	(2,033)	(1,576)	(21)	(267)	(240)	(4,137)
Disposals	(681)	(1,707)	(153)	(2,553)	–	(5,094)
At June 2023	50,791	53,698	1,829	6,486	4,795	117,599
Accumulated depreciation						
At July 2021	(3,501)	(10,624)	(1,094)	(1,642)	–	(16,861)
Charge for the year	(1,108)	(5,903)	(164)	(928)	–	(8,103)
Capitalised as bearer plants	(170)	–	–	–	–	(170)
Exchange differences	(181)	(1,055)	(26)	(258)	–	(1,520)
Eliminated on disposals	–	494	139	13	–	646
At June 2022	(4,960)	(17,088)	(1,145)	(2,815)	–	(26,008)
Charge for the year	(1,667)	(7,612)	(182)	(1,688)	–	(11,149)
Exchange differences	243	951	16	176	–	1,386
Eliminated on disposals	341	1,612	139	2,553	–	4,645
At June 2023	(6,043)	(22,137)	(1,172)	(1,774)	–	(31,126)
Carrying amount						
At June 2022	39,342	26,950	723	5,405	11,762	84,182
At June 2023	44,748	31,561	657	4,712	4,795	86,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment. Cost includes expenditure directly attributable to the acquisition of the asset and any additional costs incurred to bring the asset to use. Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis to write off the net cost of each asset over its expected useful life to its estimated residual value. Repairs and maintenance costs are included in the consolidated statement of profit and loss at the time they are incurred.

At each reporting date, the Group 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 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 Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest Group of CGUs for which a reasonable and consistent allocation basis can be identified.

Leasehold improvements

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes recognised on a prospective basis. Leasehold improvements are considered to have a useful life of between 3 and 17 years.

Plant and equipment

Plant and equipment are depreciated over their useful life which is individually defined for each asset. Cost includes expenditure directly attributable to the acquisition of the asset and any additional costs incurred to bring the asset to use. Repairs and maintenance costs are included in the consolidated statement of profit and loss at the time they are incurred. Plant and equipment are considered to have a useful life of between 3 and 20 years.

Motor vehicles

Motor vehicles are depreciated over the useful life which is considered to be between 3 and 5 years.

Bearer plants

Bearer plants are classified as property, plant and equipment, measured at cost less subsequent depreciation calculated on a straight-line basis. The produce growing on bearer plants is classified as biological assets. Bearer plants are considered to have a useful life of between 5 and 7 years.

Construction in progress

Construction in progress are costs incurred in assets not yet available for use. Costs are transferred to the relevant asset category upon completion when assets are available for use. Depreciation over the useful life of the asset commences from the date the asset is available for use.

13. Right-of-use assets

Right-of-use assets, which are classified as non-current, are recognised at the commencement date of a lease. Right-of-use assets are measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date, and net of any lease incentives received. Right-of-use assets also include estimates of contractual make good obligations.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the unexpired period of the lease or the estimated useful life of the asset. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for low value or short-term leases with terms of 12 months or less. Lease payments on these assets are expensed to profit or loss as incurred.

Right of use assets and their associated movement during the year are as follows:

	Land and Buildings \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
Right of Use Assets				
At July 2021	25,293	149	908	26,350
Additions	2,982	–	–	2,982
Modifications	506	–	(431)	75
Remeasurements	569	–	–	569
Make good assets	374	–	–	374
Acquired through business combinations	539	–	–	539
Depreciation expense	(5,365)	(77)	(94)	(5,536)
Capitalised as bearer plants	(51)	–	–	(51)
Foreign exchange	510	–	58	568
At June 2022	25,357	72	441	25,870
Additions	22,702	–	207	22,909
Modifications	266	(36)	–	230
Remeasurement	411	–	–	411
Make good assets	868	–	–	868
Depreciation expense	(5,879)	(36)	(42)	(5,957)
Foreign exchange	(244)	–	(30)	(274)
At June 2023	43,481	–	576	44,057

The increase in additions relates largely to a lease arrangement in respect of a new production facility for the Group's NSW operations located in Ingleburn NSW. The lease arrangement was entered into to increase production capacity and has a term of fifteen years with two five-year option periods which are not considered reasonably certain at the inception of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

The split of asset class and its associated costs and accumulated depreciation is as follows:

Net book value (cost, less accumulated depreciation)	June 2023 \$'000s	June 2022 \$'000s
Right-of-use land and buildings – cost	61,353	37,386
Less: Accumulated depreciation	(17,872)	(12,029)
	43,481	25,357
Right-of-use motor vehicles – cost	310	310
Less: Accumulated depreciation	(310)	(238)
	–	72
Right-of-use plant and equipment – cost	874	697
Less: Accumulated depreciation	(298)	(256)
	576	441
	44,057	25,870

Land and buildings

The Group leases land and buildings for its offices, warehouses, and retail outlets under agreements of between 3 and 17 years with, in some cases, options to extend. Right-of-use assets have been recognised for option periods where the likelihood of an extension is deemed to be reasonably certain at inception date. The leases have various escalation clauses. On renewal, the terms of the lease are renegotiated.

Motor vehicles

The group leases some motor vehicles under agreements of between 2 and 5 years.

Plant and equipment

The group leases some office equipment under agreements of between 2 and 5 years.

Short term and low value

The Group also has some lease which are either short-term or low-value. These leases have been expensed as incurred and not capitalised as right-of-use assets.

14. Intangible assets

The Group's intangible assets, which are classified as non-current, are comprised of the following:

	Goodwill \$'000	Brand names \$'000	Databases \$'000	Computer software \$'000	Customer relationships \$'000	Total \$'000
Cost						
At July 2021	142,231	16,918	6,589	7,372	59,481	232,591
Additions	–	–	–	61	–	61
Acquired through business combinations	1,930	–	–	–	–	1,930
Exchange differences	3,486	356	–	7	1,481	5,330
At June 2022	147,647	17,274	6,589	7,440	60,962	239,912
Additions	–	–	–	4	–	4
Exchange differences	(2,319)	(243)	–	(33)	(755)	(3,350)
Disposals	–	–	–	(736)	–	(736)
At June 2023	145,328	17,031	6,589	6,675	60,207	235,830
Amortisation						
At July 2021	–	–	(6,589)	(6,737)	(19,418)	(32,744)
Charge for the year	–	–	–	(350)	(6,052)	(6,402)
Eliminated on disposals	–	–	–	(12)	(206)	(218)
At June 2022	–	–	(6,589)	(7,099)	(25,676)	(39,364)
Charge for the year	–	–	–	(104)	(6,050)	(6,154)
Eliminated on disposals	–	–	–	736	–	736
At June 2023	–	–	(6,589)	(6,467)	(31,726)	(44,782)
Carrying amount						
At June 2022	147,647	17,274	–	341	35,286	200,548
At June 2023	145,328	17,031	–	208	28,481	191,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or Groups of CGUs, expected to benefit from the synergies of the business combination.

If the recoverable amount of the CGU (or Group of CGUs) is less than the carrying amount of the CGU (or Groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or Groups of CGUs) and then to the other assets of the CGU (or Groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or Groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

The Goodwill acquired through business combinations has been allocated to the Australian Group of CGUs.

On disposal of an operation within a CGU (or Groups of CGUs), the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Goodwill is considered to have an indefinite useful life and is therefore not amortised. CGUs (or Groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Brand names

Brand names are measured initially at their cost of acquisition. Brand names are considered to have an indefinite useful life as there is no expiry date associated with the asset in terms of its ability to generate future economic benefits. Brand names are tested for impairment annually or whenever there is an indication of impairment.

Databases

Databases are measured initially at their cost of acquisition. Databases are considered to have a useful life of 5 years and are amortised over that period. Databases are tested for impairment if indicators of impairment are identified.

Computer software

Computer software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of each asset. Computer software is considered to have an average useful life of 2.5 years. Computer software is tested for impairment if indicators of impairment are identified.

Customer relationships

Customer relationships are measured initially at their cost of acquisition. Customer relationships are considered to have a useful life of 10 years and are amortised over that period. Customer relationships are tested for impairment if indicators of impairment are identified.

Brands/databases/customer relationships acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset, and their fair values can be measured reliably. Amortisation is charged on a straight-line basis over the estimated useful life of finite life intangible assets.

Allocation of indefinite life intangible assets to cash generating units

Intangibles acquired in a business combination which are considered to have an indefinite useful life are allocated to CGU's (or Groups of CGUs) which are expected to benefit from the synergies of the combination, representing the lowest level at which the intangibles are monitored for internal management purposes and not being larger than an identified operating segment. To date, such allocations have been made to the Australian and China Group of CGUs as follows:

	June 2023 \$'000s	June 2022 \$'000s
Goodwill		
Australia Group of CGUs	86,605	86,605
China Group of CGUs	58,723	61,042
	145,328	147,647
Brand names		
Australia Group of CGUs	10,870	10,870
China Group of CGUs	6,161	6,404
	17,031	17,274

Impairment

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 (or CGU) in prior periods. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment testing: Australia Group of CGUs

At June 2023 and June 2022 financial year ends, the Directors assessed the recoverable amount of the Australia Group of CGUs and determined there was no impairment. The recoverable amount of the Group of CGUs (including Goodwill) was determined based on value in use calculations using cash flow projections based on the financial budget approved by the Directors covering a three-year period which was extrapolated into perpetuity using a growth rate of 2.0% (June 2022: 2.0%). The net cash flows were then discounted using a post-tax discount of 10.4% (June 2022: 10.5%).

The Directors have conducted an analysis of the sensitivity of the impairment test to reasonable changes in key assumptions (10.0% reduction in annual cash flows, 0.5% decrease in the terminal growth rate, and 1.0% increase in the discount rate applied). None of these sensitivities, applied individually, gave rise to an impairment.

The Directors have separately tested indefinite life brand names in the Australia Group of CGUs for impairment using a relief from royalty method and concluded that no impairment is required at balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Impairment testing: China Group of CGUs

At June 2023 and June 2022, the Directors assessed the recoverable amount of the China Group of CGUs and determined there was no impairment. The recoverable amount of the Group of CGUs (including Goodwill) was determined based on a value in use calculations using cash flow projections based on the financial budget approved by the Directors covering a three-year period which was extrapolated into perpetuity using a growth rate of 2.5% (June 2022: 2.5%). The net cash flows were then discounted using a post-tax discount rate of 11.5% (June 2022: 11.2%).

The Directors have conducted an analysis of the sensitivity of the impairment test to reasonable changes in key assumptions (10.0% reduction in annual cash flows, 0.5% decrease in the terminal growth rate applied, and 1.0% increase in the discount rate applied). None of these sensitivities, applied individually, gave rise to an impairment.

The Directors have separately tested indefinite life brands in the China Group of CGUs for impairment using a relief from royalty method and concluded that no impairment is required at balance date.

15. Trade and other payables

Trade and other payables, which are considered to be current, are comprised of the following

	June 2023 \$'000s	June 2022 \$'000s
Trade payables	32,460	35,623
Contract liabilities	816	873
Other payables and accruals	13,365	10,659
	46,641	47,155

Trade payables are non-interest bearing. Further information is contained within the note on financial instruments (Note 23).

16. Lease liabilities

Lease liabilities, which are both current and non-current, are recognised at the commencement date of a lease. Lease liabilities are initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease, or, if the rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprised of fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

Lease liabilities and their associated movement during the year are as follows:

	June 2023 \$'000s	June 2022 \$'000s
Carrying amount at start of year	28,236	27,868
Additions	21,580	2,983
Modifications	266	51
Remeasurements	367	593
Foreign exchange movements	(302)	491
Acquired through business combinations	–	620
Lease payments	(7,067)	(5,780)
Interest expense	2,375	1,410
Carrying amount at the end of year	45,455	28,236

Lease liabilities are classified as current if the liability is expected to be satisfied within the following 12 months. Those greater than 12 months are classified as non-current. The split between current and non-current lease liabilities is as follows:

	June 2023 \$'000s	June 2022 \$'000s
Current liability	4,981	4,117
Non-current liability	40,474	24,119
	45,455	28,236

The Group leases land and buildings for its production facilities, farms offices and warehouses under agreements of between 3 to 17 years with, in some cases, options to extend. Lease liabilities have been recognised for option periods where the likelihood of an extension is deemed to be reasonably certain at inception date. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between 2 to 5 years and office equipment and motor vehicles under agreements of between 2 to 5 years respectively.

The Group has leases which are either short-term or low-value, and under its policy related payments have been expensed as incurred and not capitalised as right-of-use assets.

The increase in additions and make good assets relates largely to a lease arrangement in respect of a new production facility for the Group's NSW operations located in Ingleburn NSW. The lease arrangement was entered into to increase production capacity and has a term of fifteen years with two five-year option periods which are not considered reasonably certain at the inception of the lease.

The maturity profile of the Group's lease liabilities based on contractual undiscounted payments is as follows:

	June 2023 \$'000s	June 2022 \$'000s
Year 1	7,290	5,368
Year 2	7,224	4,913
Year 3	6,908	4,877
Year 4	6,270	4,574
Year 5	6,310	4,150
Onwards	28,797	10,262
	62,799	34,144
Unearned interest	(17,344)	(5,908)
	45,455	28,236

The weighted average incremental borrowing rate that has been used to calculate the maturity profile is 6.2% (June 2022: 4.6%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

17. Provisions

The Group's provisions, which are both current and non-current, are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Current		
Employee benefits	7,721	7,810
Other – contractual make-good obligations	1,357	580
	9,078	8,390
Non-current		
Employee benefits	1,069	1,002
Other – contractual make-good obligations	2,600	1,922
	3,669	2,924
	12,747	11,314

Employee benefits

Employee benefits include annual leave and long service leave entitlements. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of other short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Contractual make-good obligations

Contractual make-good obligations comprise estimates of contractual make-good obligations for property leases on their expiry.

Movement in contractual make good obligation provision is as follows:

	June 2023 \$'000s	June 2022 \$'000s
Carrying amount at start of year	2,502	2,015
Recognition of contractual make-good obligations	2,290	374
Make-good obligations settled	(930)	–
Acquired through business combinations	–	25
Interest expense	95	88
Carrying amount at the end of year	3,957	2,502

Make-good obligations have been recognised where a property lease includes a specific make good clause. The provision recognised is an estimate of the value of the expected obligation at the time of lease termination. In some cases, the Group may seek to negotiate a cash settlement of its make good obligations as opposed to conducting specific rectification works to reinstate a premise to the same condition as at lease commencement subject to fair wear and tear.

In China, the Group is party to certain land lease arrangements. The Directors consider, based on legal advice, that it is not probable that an outflow will be required for restoration of certain leased land. Accordingly, no make good obligation has been recognised for leases where it is not probable that an outflow will be required.

Capital

18. Borrowings

The Group's borrowings, which are both current and non-current, are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Current		
Secured – at amortised cost		
Bank loans – commercial bills	4,368	4,451
Total current borrowings	4,368	4,451
Non-current		
Secured – at amortised cost		
Bank loans – term facility	50,000	50,000
Bank loans – commercial bills	1,248	1,272
Capitalised borrowing costs – term facility	(487)	(262)
Total non-current borrowings	50,761	51,010
Total borrowings	55,129	55,461

Movement in the Group's borrowing for the year to June 2023 is as follows:

June 2023	Bank loans – term facilities \$'000	Bank loans – commercial bills \$'000	Total \$'000
Carrying amount at start of year	49,738	5,723	55,461
Proceeds from bank borrowings	–	5,797	5,797
Repayment of bank borrowings	–	(5,797)	(5,797)
Exchange differences	–	(107)	(107)
Debt establishment fees	(375)	–	(375)
Amortisation of prepaid borrowing establishment expenses	150	–	150
Carrying amount at the end of year	49,513	5,616	55,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Movement in the Group's borrowing for the year to June 2022 is as follows:

June 2022	Bank loans – term facilities \$'000	Bank loans – commercial bills \$'000	Total \$'000
Carrying amount at start of year	49,588	4,995	54,583
Proceeds from bank borrowings	–	4,482	4,482
Repayment of bank borrowings	–	(3,741)	(3,741)
Exchange differences	–	(13)	(13)
Amortisation of prepaid borrowing establishment expenses	150	–	150
Carrying amount at the end of year	49,738	5,723	55,461

Borrowings are presented net of capitalised loan establishment fees which are amortised over the life of the applicable facility. Bank loans consist of term facilities in Australia and commercial bills in China. Key terms of the Group's banking facilities are as follows

Australia

- \$50,000,000 term facility fully drawn with Commonwealth Bank of Australia maturing in October 2026.
- \$25,000,000 capital expenditure, working capital and guarantee facility with Commonwealth Bank of Australia maturing in April 2024. The facility was drawn at balance date only in respect of bank guarantees provided totalling \$2,587,000 (June 2022: \$1,709,000).
- The Australia facility is secured by a security interest over all present and after-acquired property of the Group's business in Australia.
- An extension of this facility was entered into during the financial year which increased the term by a further 2.5 years to October 2026 from its previous expiry date of April 2024. The extension of the facility is under substantially the same terms.

China

- \$3,120,000 drawn commercial bank bill facility with the Bank of China maturing in instalments between October 2023 and June 2024. This facility is secured by a charge over some property, plant and equipment owned by the Group in China.
- \$2,496,000 drawn commercial bank bill facility with the Yunan Rural Credit Cooperatives maturing in two equal instalments in March 2024 and August 2024. This facility is secured by a charge over the ordinary share capital of Van den Berg Asia Holdings Limited and some property, plant and equipment owned by the Group in China.
- There are no undrawn bank facilities in China at balance date.

The carrying value of the Group's debt approximates its fair value.

19. Issued share capital

Issued share capital is comprised of the following:

	Number	\$'000s	Average price paid per share
Ordinary shares			
At June 2023	122,066,112	245,653	\$2.01
At June 2022	122,066,112	245,653	\$2.01

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up in proportion to the number of shares held. 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.

20. Reserves

Reserves are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Foreign currency translation	4,463	11,099
Statutory surplus	4,274	2,013
Share-based payments	422	1,169
Cash flow hedge	206	533
	9,365	14,814

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

	Foreign currency translation \$'000s	Statutory surplus \$'000s	Share-based payments \$'000s	Cash flow hedge \$'000s	Total \$'000s
Balance at July 2021	2,482	515	917	244	4,158
Foreign currency translation	8,617	-	-	-	8,617
Transfer from retained profits	-	1,498	-	-	1,498
Share-based payments	-	-	252	-	252
Cash flow hedge	-	-	-	289	289
Balance at June 2022	11,099	2,013	1,169	533	14,814
Foreign currency translation	(6,636)	-	-	-	(6,636)
Transfer from retained profits	-	2,261	-	-	2,261
Share-based payments	-	-	118	-	118
Recycling of share-based payments to retained earnings	-	-	(865)	-	(865)
Cash flow hedge	-	-	-	(327)	(327)
Balance at June 2023	4,463	4,274	422	206	9,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Foreign currency translation

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments

The reserve is used to recognise the value of equity benefits provided to employees as part of their compensation for services. During the current financial year, vested share-based payments were recycled directly to retained earnings.

Statutory surplus

The reserve is recognised to meet the legal requirement in China that requires the Group to accrue 10% of the net profits (after deducting carry forward losses) until the accumulated reserve reaches 50% of the capital received. The surplus can be used to mitigate the losses or transferred to capital. The surplus cannot be distributed as dividend.

Cash flow hedge

The cash flow hedge reserve recognised the gain or loss on a hedging instrument in a cash flow hedge that has been considered to be an effective hedge relationship.

21. Dividends

Dividends paid or determined by the company to its shareholders are as follows:

	June 2023 \$'000s	June 2022 \$'000s
Fully franked interim cash dividends declared and paid	7,324	7,324
	7,324	7,324

Movement and available franking credits are as follows:

Franking credits based on a tax rate of 30%	June 2023 \$'000s	June 2022 \$'000s
Carrying amount at the start of the year	15,575	15,452
Generated during the year	1,618	3,262
Utilised during the year	(3,139)	(3,139)
Franking credits available for subsequent financial years	14,054	15,575

22. Contingent liabilities

At the date of this report there are no claims or contingent liabilities that are expected to materially impact, either individually or in aggregate, the Group's financial position or results from operations with the exception of bank guarantees as disclosed in Note 18.

23. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. All other financial liabilities are measured subsequently at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

Furthermore, if the Group expects that some or all the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated, or exercised. The discontinuation is accounted for prospectively.

Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign current risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e., not as trading or other speculative instruments.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk. Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls, and risk limits. Finance identifies, evaluates, and hedges financial risks within the Group's operating units. Finance reports to the Board monthly.

Market risk – foreign currency transaction risk

US Dollar

The Group transacts in currencies other than the currency of the primary economic environment in which it operates. Notably both the Australian and China operations are exposed predominately to purchases in United States Dollars (USD) with other currencies making up an immaterial amount. In order to protect against exchange rate movements, the Group enters into forward foreign exchange contracts to hedge currency risk associated with highly probable forecasted foreign currency cash flows for the ensuing financial year.

The Group's current risk management policy is to hedge approximately 50% of anticipated foreign currency purchases that are forecast to be incurred over a forward 6-month period. All hedges taken out during the year were effective. Further details regarding outstanding hedge instruments at balance date are show below in this note.

The Group's exposure to material foreign currency financial items at balance date, expressed in Australian Dollars (AUD) is as follows:

Consolidated	June 2023 USD exposure \$'000	June 2023 AUD equivalent \$'000	June 2022 USD exposure \$'000	June 2022 AUD equivalent \$'000
Foreign currency trade payables	2,787	4,203	1,342	1,943

The sensitivity of the Group's transactional currency risk is estimated by assessing the impact of a 10% increase and a 10% decrease in the AUD/USD exchange rate would have on the profit and loss of the Group at balance date.

	Movement in AUD/USD exchange rate %	(Decrease)/increase in profit or loss
As at June 2023		
Foreign currency trade payables	+10%	(420)
	-10%	420
As at June 2022		
Foreign currency trade payables	+10%	(194)
	-10%	194

It is noted that the above sensitivity is not fully representative of the inherent transaction foreign exchange risk as the year end exposure shown above does not reflect the foreign exchange exposure of transactions and balances during the course of the year. The above also does not reflect foreign currency risk associated with foreign subsidiaries (refer below).

Chinese Yuan

The Group includes certain subsidiaries located in China whose functional currency of Chinese Yuan (CNY) is different to the Group's presentation currency of AUD. On consolidation the assets and liabilities of these subsidiaries are translated into AUD at exchange rates prevailing on the balance date. The income and expense of these entities are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and transferred to the foreign currency translation reserve. The Group's future reported profits are impacted by changes in exchange rates between AUD and CNY.

Noted below is Group's profit for year ending June 2023 and the year ending June 2022 attributable to Chinese Yuan (CNY) would have on profit or loss reported for the year as follows:

Consolidated	June 2023 CNY exposure \$'000	June 2023 AUD equivalent \$'000	June 2022 CNY exposure \$'000	June 2022 AUD equivalent \$'000
Chinese Yuan (CNY) profit for the year after tax	39,775	8,484	54,119	11,550

The sensitivity of the Group's translated foreign currency risk is estimated by assessing the impact that a 10% increase and a 10% decrease in the AUD/CNY exchanges rate would have on profit or loss reported for year ending June 2023:

Chinese Yuan profit or loss	Movement in annual average AUD/CNY exchange rate %	Increase / (decrease) in profit or loss \$'000
For the year ending June 2023	+10%	848
	-10%	(848)
For the year ending June 2022	+10%	1,155
	-10%	(1,155)

Market risk – price risk

The Group is not exposed to any significant price risk.

Market risk – interest rate risk

The Group's main interest rate risk arises from cash on hand and borrowings which are not presently hedged. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings as at June 2023 of \$55,129,000 (June 2022: \$55,461,000) are variable rate principal and interest payment loans. Minimum principal repayments of \$4,368,000 (June 2022: \$4,451,000) are due during the year ending June 2023.

The below table considers the impact to profit or loss of a movement in the interest rates for the full current year on the outstanding borrowing balance as at June 2023:

		+ change \$'000	- change \$'000
Change in interest rate	+/- 50 basis points	277	(277)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Market risk – credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references, and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group does not hold any collateral. The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

At June 2023, the Group had 9 customers (June 2022: 10) that owed it more than \$200,000 each and accounted for approximately 85% (June 2022: 81%) of all the receivables outstanding. Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity, and a failure to make contractual payments for a period greater than 1 year.

Market risk – liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Undrawn borrowing facilities at the reporting date:

	June 2023 \$'000s	June 2022 \$'000s
Capital expenditure, working capital and bank guarantee facility	25,000	25,000
Bank guarantees	(2,587)	(1,709)
	22,413	23,291

Remaining contractual maturities

The following tables detail the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	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
June 2023						
Non-derivatives						
Non-interest bearing						
Trade payables	–	32,460	–	–	–	32,460
Contract liabilities	–	816	–	–	–	816
Other payables	–	13,365	–	–	–	13,365
Interest-bearing – variable						
Borrowings – terms facilities	6.7%	3,325	3,325	51,856	–	58,506
Borrowings – commercial bills	5.2%	4,576	1,254	–	–	5,830
Interest-bearing – fixed rate						
Lease liability	6.2%	7,290	7,224	19,488	28,797	62,799
Total non-derivatives		61,832	11,803	71,344	28,797	173,776
Derivatives						
Forward foreign exchange contracts inflow	–	(705)	–	–	–	(705)
Total derivatives	–	(705)	–	–	–	(705)
June 2022						
Non-derivatives						
Non-interest bearing						
Trade payables	–	35,623	–	–	–	35,623
Contract liabilities	–	873	–	–	–	873
Other payables	–	10,659	–	–	–	10,659
Interest-bearing – variable						
Borrowings – terms facilities	2.4%	1,194	51,286	–	–	52,480
Borrowings – commercial bills	5.6%	2,981	2,966	–	–	5,947
Interest-bearing – fixed rate						
Lease liability	4.6%	5,368	4,913	13,601	10,262	34,144
Secured leases	5.6%	119	–	–	–	119
Total non-derivatives		56,817	59,165	13,601	10,262	139,845
Derivatives						
Forward foreign exchange contracts inflow	–	(998)	–	–	–	(998)
Total derivatives	–	(998)	–	–	–	(998)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Derivative financial instruments are comprised of the following:

	June 2023 \$'000s	June 2022 \$'000s
Current assets		
Foreign exchange contracts at fair value	705	998
	705	998

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk. The Group designates all hedges of foreign exchange risk on firm commitments as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The Group designates the full change in the fair value of a forward contract (i.e., including the forward elements) as the hedging instrument for all its hedging relationships involving forward contracts.

24. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
June 2023				
Assets / (liabilities)				
Biological assets	–	–	5,650	5,650
Derivatives – forward foreign exchange contracts	–	705	–	705
	–	705	5,650	6,355
June 2022				
Assets / (liabilities)				
Biological assets	–	–	4,378	4,378
Derivatives – forward foreign exchange contracts	–	998	–	998
	–	998	4,378	5,376

There were no transfers between levels during the financial year. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3:

- The fair value of financial instruments that are not traded in an active market (such as forward exchange contracts) is determined using prices that are derived from third party valuations.
- Biological assets have been valued with key inputs underlying fair value including estimates in respect of stage of maturity, harvest yields, harvest costs, and anticipated sales prices and associated selling costs. Refer to Note 10.

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.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Group structure

25. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Group in a business combination includes contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Lynch Market Flowers Brisbane Pty Limited

During the previous financial year, the Group acquired Lynch Market Flowers Brisbane Pty Limited. Details of the acquisition were set out in the consolidated financial statements for the year ended 26 June 2022.

26. List of subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policies described throughout this report:

Subsidiaries	Country of incorporation	June 2023	June 2022
Lynch Group Bidco Pty Limited	Australia	100%	100%
Lynch Group Australia Holdings Pty Limited	Australia	100%	100%
Lynch Fresh Holdings Pty Limited	Australia	100%	100%
Lynch Fresh Pty Limited	Australia	100%	100%
Lynch Group Australia Pty Limited	Australia	100%	100%
Lynch Flowers Victoria Pty Ltd	Australia	100%	100%
Leo Lynch & Sons (Qld) Pty Limited	Australia	100%	100%
Lynch Manufacturing Group Pty Ltd	Australia	100%	100%
Lynch Manufacturing NSW Pty Ltd	Australia	100%	100%
Lynch Manufacturing Victoria Pty Ltd	Australia	100%	100%
Lynch Manufacturing QLD Pty Ltd	Australia	100%	100%
Lynch Manufacturing W.A. Pty Ltd	Australia	100%	100%
Lynch Administration Pty Ltd	Australia	100%	100%
Lynch China Pty Limited	Australia	100%	100%
Lynch Admin Services Pty Ltd	Australia	100%	100%
Lynch Flowers (W.A.) Pty Ltd	Australia	100%	100%
Lynch Market Flowers Brisbane Pty Ltd	Australia	100%	100%
Exauflor Pty Ltd	Australia	100%	100%
The Lynch Group of Companies Pty Limited	Australia	100%	100%
Gladlands Flowers Pty Ltd	Australia	100%	100%
Gladlands Flowers Unit Trust	Australia	100%	100%
Pine Valley (QLD) Pty Ltd	Australia	100%	100%
Australiawide Flowers Pty Ltd	Australia	100%	100%
Lynch China (HK) Limited	Hong Kong	100%	100%
Yunnan Lynch Horticulture Company Limited	China	100%	100%
Yunnan Lynch Agriculture Company Limited	China	100%	100%
Lynch (Shanghai) International Trading Company Ltd	China	100%	100%
Lynch Trading (Yunnan) Company Ltd	China	100%	100%
Van den Berg Asia Holding Limited	Hong Kong	100%	100%
Kunming Fangdebo'erge Rose Supreme Floral Co., Ltd	China	100%	100%
Van Den Berg Horticulture (Yunnan) Co., Ltd	China	100%	100%
Kunming Van Den Berg Trading (Dounan) Co., Ltd	China	100%	100%
Gefa Flowers (Suzhou) Co., Ltd	China	100%	100%

Australian tax consolidated group

Lynch Group Holdings Limited is the head entity of the Australian tax-consolidated Group. All Australian entities and Lynch China (HK) Limited are members of the Australian tax-consolidated Group.

Deed of cross guarantee

All Australian entities with the exception of Trustee of Gladlands Flowers Unit Trust are wholly owned subsidiaries which have entered into a deed of cross guarantee (refer to Note 29) with company pursuant to ASIC Corporation Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.

Secured borrowing facility

All Australian entities are grantors under the secured borrowing facility.

27. Related party transactions

Associate and subsidiaries

A list of subsidiaries of the Group is included in Note 26.

Key management personnel

Transactions with key management personnel are set out in Note 31.

Transactions with related parties

There were no other transactions with related parties during the current or previous financial year.

28. Parent entity disclosures

The Parent entity is Lynch Group Holdings Limited. Set out below is the supplementary information about the parent entity.

Summarised Statement of Financial Position of the Lynch Group Holdings Limited	June 2023 \$'000s	June 2022 \$'000s
Total current assets	100	187
Total non-current assets	285,738	285,113
Total assets	285,838	285,300
Total current liabilities	–	–
Total non-current liabilities	20,571	20,571
Total liabilities	20,571	20,571
Net assets	265,267	264,729
Issued share capital	245,653	245,653
Reserves	422	1,169
Retained earnings	19,192	17,907
Total equity	265,267	264,729

Statement of profit or loss and other comprehensive income

	June 2023 \$'000s	June 2022 \$'000s
Profit for the year	7,744	21,538
Total comprehensive profit for the year	7,744	21,538

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity is party to a deed of cross guarantee with company pursuant to ASIC Corporations Instrument 2016/785.

Contingent liabilities

The parent entity had no contingent liabilities as at June 2023 and June 2022 with the exception of bank guarantees as disclosed in Note 18.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments as at June 2023 and June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity. Investments are assessed for indicators of impairment on an annual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

29. Deed of cross guarantee

All Australian subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The Australian subsidiaries, as listed in Note 26 represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by the company and Controlled Entities, they also represent the 'Extended Closed Group'.

Set out below is a statement of profit or loss and other comprehensive income of the 'Closed Group'.

Statement of profit or loss and other comprehensive income of 'Closed Group'	June 2023 \$'000s	June 2022 \$'000s
Revenue	323,725	309,294
Other income	4,606	—
Less: Expenses	(318,836)	(298,223)
Profit before tax	9,495	11,071
Income tax expense	(1,699)	(3,338)
Profit after income tax expense	7,796	7,733
Other comprehensive (loss)/income for the year		
Cash flow hedges – effective portion of changes in fair value	(327)	289
Total other comprehensive (loss) / income for the year	(327)	289
Total comprehensive income for the year	7,469	8,022

Set out below is a statement of financial position of the 'Closed Group':

	June 2023 \$'000s	June 2022 \$'000s
Current assets		
Cash and cash equivalents	21,782	20,412
Trade and other receivables	18,232	19,099
Inventories	10,393	11,911
Biological assets	3,757	2,688
Current tax assets	100	167
Other assets	2,594	2,923
Total current assets	56,858	57,200
Non-current assets		
Property, plant and equipment	16,427	11,999
Right-of-use assets	35,970	18,482
Intangible assets	107,747	111,478
Other non-current assets	120,081	121,217
Total non-current assets	280,225	263,176
Total assets	337,083	320,376
Current liabilities		
Trade and other payables	40,502	43,028
Lease liabilities	4,165	3,500
Provisions	7,749	8,390
Total current liabilities	52,416	54,918
Non-current liabilities		
Lease liabilities	33,813	16,575
Borrowings	49,513	49,738
Provision	3,668	2,924
Deferred tax liabilities	453	599
Total non-current liabilities	87,447	69,836
Total liabilities	139,863	124,754
Net assets	197,220	195,622
Equity		
Issued capital	245,653	245,653
Reserves	2,117	1,856
Accumulated losses	(50,550)	(51,887)
Total equity	197,220	195,622

Other disclosures

30. Share-based payments

The share-based payments reserve is used to record the fair value of shares or options issued to employees. These rights granted to shares of the company are accounted for as equity-settled share-based payment transactions. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a Black Scholes model. The expected life used in the model has 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 is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

Share-based payments reserve is comprised of the following:

Share-based payments reserve	June 2023 \$'000s	June 2022 \$'000s
Opening balance	1,169	917
Recycling of share-based payments to retained earnings	(865)	—
Share-based payments	118	252
	422	1,169

Share-based payments are included in Employee benefit expenses in the Consolidated Statement of Profit and Loss and Other comprehensive income.

Share based payment plan – 2023 long-term incentive scheme

The Group continues to operate a long-term incentive scheme (LTI) to assist in the motivation, reward, and retention of Key Management Personnel (excluding non-executive Directors), Senior Executives and other selected Senior Managers. The LTI is designed to align participants' interests with the interests of shareholders by providing participants an opportunity to receive ordinary shares in the company through the granting of options.

Pursuant to the LTI, a total of 2,541,793 options have been granted to Key Management Personnel (excluding non-executive Directors), Senior Executives and other selected Senior Managers.

The key terms of the options are as follows:

Key term	Further detail
Nature of option	Each option represents a right to acquire one (1) ordinary share of capital of the company, subject to the terms and conditions of the Plan rules
Determination of the number of options	At the discretion of the Board
Grant dates	31 May 2023
Vesting dates	Tranche 1 – 30 June 2026 Tranche 2 – 30 June 2027 Tranche 3 – 30 June 2028
Exercise expiry date	30 June 2029
Vesting conditions	<p>Service based Vesting Condition and Performance based Vesting Condition which are both required to be satisfied.</p> <p>The Service based Vesting Condition requires that the Participant is engaged by a Group entity on a continuous basis until the point in time at which all other Vesting Conditions are satisfied.</p> <p>The Performance based Vesting Condition is split in an EPS hurdle and a TSR hurdle over the performance period. 50% of the options are subject to the EPS hurdle with the remaining 50% subject to the TSR hurdle.</p> <p>The EPS vesting percentages will correspond to the Group's annual compounding EPS growth over the performance period (adjusted where necessary to take into account one off items as determined by the Board), and are as follows:</p> <ul style="list-style-type: none"> Annual compounding EPS less than 8%: 0% of options will vest. Annual compounding EPS equal to 8%: 0% of options will vest. Annual compounding EPS between 8% and 12%: options will vest on a straight line pro rata basis between 0% and 100%. Annual compounding EPS greater than 12%: 100% of options will vest. <p>The TSR vesting percentages will be determined by comparison of the Group's TSR against the TSR of companies which comprise the ASX300 index:</p> <ul style="list-style-type: none"> Group TSR in the bottom quartile (0%–25%) of the ASX300 index: 0% of Options will vest. Group TSR in the second quartile (25%–50%) of the ASX300 index: 33% of Options will vest. Group TSR in the third quartile (50%–75%) of the ASX300 index: 66% of Options will vest. Group TSR in the top quartile (75%–100%) of the ASX300 index: 100% of Options will vest.
Option exercise price	\$1.84
Dividend and voting entitlements	The options do not carry rights to dividends or voting rights prior to exercise

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

Recognition and measurement

The fair value of options is recognised as an expense with a corresponding increase in the share-based payments reserve which is recorded in equity. Fair value is measured at grant date and recognised over the period during which the options unconditionally vest to the participant. The amount recognised as an expense over the vesting period is adjusted to reflect the actual number of options that vest except where options lapse due to the non-achievement of market-based conditions.

Measurement of fair values

The options issued under the 2023 long-term incentive scheme vest subject to an 'earnings per share' hurdle and a 'relative total shareholder return' hurdle. Volatility is based on an evaluation of the historical volatility of Australian horticulture businesses.

The fair value of the options issued under the long-term incentive scheme have been measured as noted below:

Vesting hurdle	Valuation method
Earnings per share	Black Scholes option pricing model
Relative total shareholder return	Monte Carlo simulation pricing model

The inputs used in the measurement of fair value as at grant date of the options granted during the year under the 2023 plan are as follows:

Long-term incentive scheme	Tranche 1	Tranche 2	Tranche 3
Grant date	31 May 2023	31 May 2023	31 May 2023
Vesting date	30 June 2026	30 June 2027	30 June 2028
Exercise expiry date	30 June 2029	30 June 2029	30 June 2029
Number granted	847,264	847,264	847,265
Fair value at grant date	TSR – \$0.45 EPS – \$0.48	TSR – \$0.48 EPS – \$0.49	TSR – \$0.48 EPS – \$0.50
Share price at grant date	\$1.90	\$1.90	\$1.90
Exercise price	\$1.84	\$1.84	\$1.84
Expected volatility	40.0%	40.0%	40.0%
Expected dividend yield	4.9%	4.9%	4.9%
Risk-free rate	3.4%	3.4%	3.4%

In addition, 817,567 options were granted during the year under the 2022 plan. The inputs used in the measurement of fair value as at grant date of the options granted during the year under the 2022 plan are as follow:

Long-term incentive scheme	Tranche 1	Tranche 2	Tranche 3
Grant date	25 November 2022	25 November 2022	25 November 2022
Vesting date	30 June 2025	30 June 2026	30 June 2027
Exercise expiry date	30 June 2028	30 June 2028	30 June 2028
Number granted	272,522	272,522	272,523
Fair value at grant date	TSR – \$0.40 EPS – \$0.44	TSR – \$0.43 EPS – \$0.45	TSR – \$0.44 EPS – \$0.45
Share price at grant date	\$2.20	\$2.20	\$2.20
Exercise price	\$2.24	\$2.24	\$2.24
Expected volatility	35.0%	35.0%	35.0%
Expected dividend yield	5.5%	5.5%	5.5%
Risk-free rate	3.7%	3.7%	3.7%

Reconciliation of outstanding options

The number and weighted average exercise prices of options under the long-term incentive scheme are as follows:

	June 2023		June 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	3,582,531	\$2.63	1,059,093	\$3.60
Disposed of or settled	–	–	–	–
Forfeited during the year ¹	(293,637)	\$2.49	(220,045)	\$3.60
Granted during the year – 2021 plan ²	–	–	191,896	\$3.60
Granted during the year – 2022 plan ³	817,567	\$2.24	2,551,587	\$2.24
Granted during the year – 2023 plan ⁴	2,541,793	\$1.84	–	–
Closing balance	6,648,254	\$2.29	3,582,531	\$2.63
Exercisable at year end	–	–	–	–

¹ 293,637 (June 2022: 220,045) options were forfeited during the year as a result of vesting conditions not being met.

² 191,896 options under the grant for the financial year ended June 2021 were issued following Shareholder approval at the company's AGM in November 2021.

³ 817,567 options under the grant for the financial year ended June 2022 were issued following Shareholder approval at the company's AGM in November 2022.

⁴ 772,649 options under the grant for the financial year ended June 2023 are subject to Shareholder approval at the company's AGM in November 2023.

31. Key management personnel

The aggregate compensation made to key management personnel of the Group is set out below:

	June 2023 \$	June 2022 \$
Short-term employee benefits	2,195,844	2,117,450
Post-employment benefits	136,188	152,196
Share-based payments	95,682	117,304
	2,427,714	2,386,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

32. 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:

Audit services – Deloitte Touche Tohmatsu	June 2023 \$	June 2022 \$
Audit or review of the financial statements		
Australia	371,694	369,000
China	215,166	175,471
	586,860	544,471
Other services		
Tax compliance services	57,250	93,000
Other non-audit services	61,000	15,729
	118,250	108,729
	705,110	653,200

33. Capital commitments

At the date of this report the Group has no capital commitments (June 2022: \$1.4m).

34. New Accounting Standards

The Group adopted all new Standards and Interpretations which were effective for the current year, and there were no material impacts. At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective and have not been adopted by the Group. These are not expected to have a material impact.

- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current.
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date.
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants.

35. Events subsequent to reporting date

Dividends

On 23 August 2023, the Directors determined a final dividend of 7.0 cents per ordinary share, fully franked. The record date of the dividend is 6 September 2023, and the dividend was paid on 20 September 2023. The dividend was not determined as of 2 July 2023 and as such no provision is recognised as at that date.

Economic environment

The uncertain economic environment in both Australia and China continues to impact the Group to the date of this report.

At the current time, in Australia the Group is experiencing high inflation across many of its key cost lines (freight, raw materials cost, labour). A high inflationary environment may also affect consumer spending on discretionary items such as those offered by the Group. Continuing increases in costs at a rate faster than can be recovered through range and price management could have a material impact on the Group's financial performance in 2024.

The Group continues to be impacted by elevated freight rates for international supply although rates have moderated during the current reporting period. Labour availability has led to increased overtime especially around key events and although at the current time availability has improved this may impact the Group in the future were conditions to change. The Group continues to experience increased costs generally from higher inflation and is working collaboratively with its customers and suppliers to manage elevated costs through a range of initiatives including selling price and product range management.

In China weak consumer confidence is impacting summer pricing of product with average pricing down materially on prior year levels. Prolonged weakness in this market could have a material impact on the Group's financial performance in 2024.

The Group notes market disruption including pandemic risk as a key risk for the Group. The extent that any future impact from market disruption including pandemic risk has on the Group's operational and financial performance will depend on certain developments, including the nature and duration of any event, any regulations imposed by governments and the impact on customers, employees, and the Group's supply chain, all of which are uncertain and cannot be predicted at this time. The Group may face difficulty in achieving business growth during and in the aftermath of a market disruption event particularly due to the Group's relatively complex and time critical supply chain.

As at the date of these financial statements are authorised for issue, the Directors of the company have assessed that there is not expected to be a material financial impact that may affect the Group's ability to continue as a going concern.

Other

There are no further matters which have arisen since the end of the financial year ended 2 July 2023 which have significantly affected, or may significantly affect the operations or results of the Group or the state of affairs of the Group in subsequent financial periods.

DIRECTOR'S DECLARATION

For the financial year ended 2 July 2023

The Directors of Lynch Group Holdings Limited declare that, in their opinion:

- the accompanying financial statements and notes to the financial statements comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements.
- the attached financial statement and notes to the financial statements comply with International Reporting Standards as issued by the International Accounting Standards Board as described in Note B to the consolidated financial statements.
- the attached consolidated financial statement and notes to the consolidated financial statements give a true and fair view of the Group's financial position as at 2 July 2023 and of its performance for the financial year ended on that date.
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- at the date of the declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue to the Deed of Cross Guarantee between the company and those Group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

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



Patrick Elliott
Chair and Non-Executive Director



Hugh Toll
Chief Executive Officer and Executive Director

23 August 2023
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

For the financial year ended 2 July 2023



Deloitte Touche Tohmatsu
ABN 74 490 121 060
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8 Parramatta Square
10 Darcy Street
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Australia

Phone: +61 2 9840 7000
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The Board of Directors
Lynch Group Holdings Limited
8b Williamson Road
Ingleburn NSW 2565
Australia

23 August 2023

Dear Directors,

Lynch Group Holdings 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 Lynch Group Holdings Limited.

As lead audit partner for the audit of the financial statements of Lynch Group Holdings Limited for the financial year ended 2 July 2023, 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
DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Damien Cork".

Damien Cork
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



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Independent Auditor's Report to the Members of Lynch Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lynch Group Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 2 July 2023, 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 other explanatory information, 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 2 July 2023 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying value of goodwill attributable to the China Group of cash-generating units ("CGUs")</p> <p>As set out in Note 14 to the financial statements, as at 2 July 2023 the Group's goodwill totalled \$145.3m (26 June 2022: \$147.6m). This comprises of goodwill allocated to the Australia and China Groups of CGUs of \$86.6m and \$58.7m respectively.</p> <p>Given that the goodwill in the China Group of CGUs arose due to the recent acquisition of Van Den Berg Asia Holdings Limited and the volatile economic performance in China since the acquisition, we have determined this to be a Key Audit Matter.</p> <p>Accounting Standard AASB 136 <i>Impairment of Assets</i> requires the carrying value of goodwill and other indefinite useful life intangible assets to be tested for impairment annually.</p> <p>The assessment of impairment of goodwill is complex and involves significant judgements in respect of the assumptions and estimates used in preparing discounted cash flow models ('value in use') including the determination of:</p> <ul style="list-style-type: none"> - Discount rates; - Long term growth rates; and - Future cash flows. 	<p>Our procedures with respect to the China Group of CGUs included, but were not limited to the following:</p> <p>Evaluating the design and implementation of the relevant controls over the impairment assessment of goodwill;</p> <p>Obtaining the value in use model prepared by management to support the impairment assessment and:</p> <ul style="list-style-type: none"> • Comparing the forecast cash flows to the board approved budget; • Comparing the forecast cash flows to the actual cash flows generated in the current year, and challenging material differences; • Evaluating management's historical forecasting accuracy by comparing actual results to budget; • Assessing the reasonableness of the assumptions use in the projected cash flows against external economic and financial data; • In conjunction with our valuation specialists: <ul style="list-style-type: none"> • Assessing the integrity of the value in use model used, including the mathematical accuracy of the underlying calculation formulas; • Challenging key inputs, including the discount rate and terminal growth rate utilised by management; • Performing sensitivity analysis on the future cash flows, growth and discount rate; and <p>Assessing the adequacy of the Group's disclosure in Note 14 to the financial statements.</p>



Other Information

The directors are responsible for the other information. The other information comprises:

- the Directors' Report, additional ASX disclosures and Shareholder information which we obtained prior to the date of this auditor's report;
- the Chair's, CEO's and Sustainability Report which will be included in the Group's Annual Report which is expected to be made available to us after the date of this auditor's report.

The other information 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 and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chair's, CEO's and Sustainability report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

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.

Deloitte.

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, actions taken to eliminate threats or safeguards applied.

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.

INDEPENDENT AUDITOR'S REPORT CONT.

For the financial year ended 2 July 2023



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 2 July 2023.

In our opinion, the Remuneration Report of the Group, for the year ended 2 July 2023, 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

A handwritten signature in black ink, appearing to read "Damien Cork".

Damien Cork
Partner
Chartered Accountants

Sydney, 23 August 2023

SHAREHOLDER INFORMATION

For the financial year ended 2 July 2023

Twenty largest registered shareholders (as at 11 August 2023)

Rank	Name of shareholder	Number of shares	% of issued capital
1	Next Capital III GP Pty. Limited	16,536,479	13.55
2	Izzac Pty Ltd	16,380,000	13.42
3	Citicorp Nominees Pty Limited	15,383,563	12.60
4	UBS Nominees Pty Ltd	9,501,945	7.78
5	Bridge International Holding Limited	9,378,168	7.68
6	National Nominees Limited	8,899,328	7.29
7	J P Morgan Nominees Australia Pty Limited	8,076,089	6.62
8	AJ4 Limited	7,000,000	5.73
9	HSBC Custody Nominees (Australia) Limited	6,752,779	5.53
10	Van Den Berg Roses Asia B.V	6,252,112	5.12
11	Next Capital Services IIID Pty. Limited	4,699,841	3.85
12	Airfek Pty Ltd	1,820,000	1.49
13	HSBC Custody Nominees (Australia) Limited	1,049,409	0.86
14	HSBC Custody Nominees (Australia) Limited – A/C 2	707,470	0.58
15	Mr Hugh Edward Toll	639,999	0.52
16	Neweconomy Com Au Nominees Pty Limited	482,167	0.40
17	HGL Investments Pty Ltd	470,000	0.39
18	Mr David Di Pietro	299,999	0.25
19	Steve Wood	237,300	0.19
20	BNP Paribas Noms Pty Ltd	228,999	0.19
	Total for Top 20	114,795,647	94.04
	Remaining holders	7,270,465	5.96
	Total issued capital	122,066,112	100.00

Distribution of holdings (as at 11 August 2023)

Range	Number of holders	Number of shares	% of issued capital
100,001 and over	39	117,781,582	96.49
10,001 to 100,000	68	2,075,359	1.70
5,001 to 10,000	103	716,207	0.59
1,001 to 5,000	502	1,287,148	1.05
1 to 1,000	490	205,816	0.17
	1,202	122,066,112	100.00

All shares above are fully paid ordinary shares. Each fully paid ordinary share carries one voting right. There were 42 holders of less than a marketable parcel of ordinary shares.

SHAREHOLDER INFORMATION CONT.

For the financial year ended 2 July 2023

Substantial shareholders (as disclosed in substantial holder notices given to the company as of 11 August 2023)

Name of shareholder	Number of shares	% of issued capital
Next Capital III GP Pty. Limited and Next Capital Services IIID Pty. Limited	21,236,320	17.40
Regal Funds Management and its associates	20,969,632	17.18
Izzac Pty. Ltd	16,380,000	13.42
FIL Limited & its related subsidiaries / affiliates	12,194,404	9.99
Bridge International Holding Limited	9,378,168	7.68
A4J Limited	7,000,000	5.73
Van Den Berg Roses Asia B.V	6,252,112	5.12
Bank of America Corporation and its related bodies corporate	6,232,364	5.11

Escrowed shares

Description of escrow arrangements	Number of shares
Employee escrow share scheme ending on 6 April 2024	57,893
	57,893

These shares issued under the employee escrow scheme and escrowed from their date of issue on 6 April 2021 for a period of 3 years ending on 6 April 2024.

Unquoted securities

As at June 2023, there are 6,648,254 (June 2022: 3,582,531) options over unissued shares of Lynch Group Holdings. These options are held by current members of the management team including the Group Chief Executive Officer.

Shares and voting rights

All issued shares in the company are ordinary shares. Voting rights for ordinary shares one vote per share on a show of hands for every member present at a meeting in person or by proxy.

On-market buy back

As at June 2023 there is no current on-market buy back.

Use of cash and assets

Lynch Group Holdings Limited has used cash and assets in a form readily convertible to cash at the time of admission to the ASX in a consistent manner with the objectives set out in its Prospectus.

Corporate Directory

Directors

Patrick Elliott (Chair)
Elizabeth Hallett
Peter Clare
Peter Arkell
Hugh Toll

Company Secretary

Steve Wood

Registered Office

8b Williamson Road
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Share Registry

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F +61 2 9287 0309 (for proxy voting)
registrars@linkmarketservices.com.au
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Auditor

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Australia Securities Exchange

Lynch Group Holdings Limited shares are quoted
on the Australia Securities Exchange (ASX code: LGL)



lynchgroup.com.au