PROSPECTUS

INITIAL PUBLIC OFFERING

Lynch Group Holdings Limited
(ACN 608 543 219)

LYNCH GROUP

Joint Lead Managers

citi JARDEN J.P.Morgan

Financial Adviser

STANTON//ROAD PARTNERS

Important Notices

Offer

The Offer contained in this Prospectus is an invitation to acquire or subscribe for Shares of the Company.

Prospectus

This Prospectus is a prospectus for the purposes of Chapter 6D of the Corporations Act and has been issued by the Company and SaleCo (together, the **Offerors**).

Lodgement and Listing

This Prospectus is dated 12 March 2021 and was lodged with ASIC on that date. The Company will apply to the ASX for the Listing of the Company and quotation of the Shares on the ASX, within 7 days of the Prospectus Date.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on the date that is 13 months after the Prospectus Date. No Shares will be issued or allotted on the basis of this Prospectus after such expiry date.

Note to Applicants

The information contained in this Prospectus is not financial product advice or a recommendation to acquire Shares and does not take into account the investment objectives, financial situation and particular needs (including financial and taxation issues) of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the financial performance of the Company.

You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Some of the risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Offerors, their respective directors, the Joint Lead Managers, the Financial Adviser or any other person in connection with the Offer. You should rely only on information in this Prospectus. The Company's Business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

Exposure Period

The Corporations Act prohibits the Offerors from processing Applications in the seven-day period after the date of lodgement of this Prospectus with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No interest will be paid on any Application Monies received or refunded. No preference will be conferred on Applications received during the Exposure Period.

Obtaining a Copy of this Prospectus

This Prospectus is available to Australian investors, and certain eligible investors in other jurisdictions as specifically set out in this Prospectus, in electronic form at https://events.miraqle.com/lynchgroup-ipo. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If you are unsure about the completeness of the Prospectus received electronically, or a print-out of it, you should contact the Company.

The Offer constituted by this Prospectus in electronic form at https://events.miraqle.com/lynchgroup-ipo is available only to persons within Australia and certain eligible investors in other jurisdictions as specifically set out in this Prospectus. It is not available to persons in other jurisdictions (including the United States) in which it would not be lawful to make such an offer or invitation.

Persons having received a copy of this Prospectus in its electronic form may, before the Offer Closing Date, obtain a paper copy of this Prospectus (free of charge) by telephoning the Lynch Group Offer Information Line on 1800 129 386 (within Australia) or +61 1800 129 386 (outside Australia) from 8.30am to 5.30pm (Sydney Time) Monday to Friday (excluding public holidays) during the Offer Period.

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. Refer to Section 7 for further information.

Statements of Past Performance

This Prospectus includes information regarding the past performance of the Company and the Lynch Group. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Performance

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information.

The Pro Forma Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except as otherwise stated.

The Forecast Financial Information included in the Prospectus is unaudited and is based on a number of assumptions, including those set out in Section 4.8. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

The Pro Forma Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated.

Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

Forward-Looking Statements

The Prospectus contains forward-looking statements which are identified by words such as "anticipates", "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Offerors, their respective directors and the managers of the Lynch Group. The Forecast Financial Information and the forward-looking statements should be read in conjunction with, and are qualified by reference to the risk factors as set out in Section 5, the specific and general assumptions set out in Section 4.8, the sensitivity analysis outlined in Section 4.10 and other information contained in this Prospectus.

The Offerors, their respective directors and any other person named, with their consent, in this Prospectus cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Offerors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data and third-party estimates and projections. There is no assurance that any of the third-party estimates or projections contained in this Prospectus will be achieved. The Offerors have not independently verified this information.

Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

No Cooling Off Rights

Cooling off rights do not apply to an investment in Shares issued or transferred under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Data, Photographs and Diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Unless otherwise stated, all data contained in this Prospectus, including in charts, graphs and tables is based on information available at the Prospectus Date.

Website

Any references to documents included on the Company's website at www.lynchgroup.com.au are for convenience only, and none of the documents or other information available on the Company's website is incorporated by reference into this Prospectus.

Defined Terms and Time

Defined terms and abbreviations have the meaning given in the Glossary set out in Appendix 3 of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney Time.

The references within this Prospectus to any Lynch Group Member entering into certain arrangements do not specify whether the arrangements are entered into by the Company or a Lynch Group Member and this is a matter of convenience. Certain arrangements described in this Prospectus will be entered into by the Company or any of the Lynch Group Members uniquely.

Unless otherwise specified, references to the Lynch Group includes the VDB Group on a post-VDB Acquisition basis.

Disclaimers

Except as required by law, and only to the extent so required, none of the Offerors, their respective directors, the Joint Lead Managers, the Financial Adviser or any other person in connection with the Offer warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

It is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. The Offerors, their respective directors, the Joint Lead Managers, the Registry and the Financial Advisers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Citigroup Global Markets Australia Pty Limited, Jarden Australia Pty Ltd and J.P. Morgan Securities Australia Limited have acted as Joint Lead Managers to the Offer and Stanton Road Partners Pty Ltd has acted as Financial Adviser in connection with the Offer. The Joint Lead Managers and the Financial Adviser, together with their respective related bodies corporate, shareholders or affiliates and their respective officers, directors, partners, employees, affiliates, agents or advisers (each a **Limited Party**) have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Prospectus and do not make or purport to make any statement in this Prospectus and there is no statement in this Prospectus which is based on any statement made by a Limited Party. To the maximum extent permitted by law, each of the Limited Parties expressly disclaim all liabilities (including, without limitation, any liability arising out of fault or negligence, for any direct, indirect, consequential or contingent loss or damage) in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus. The Limited Parties make no recommendations as to whether you or your related parties should participate in the Offer nor do they make any representations or warranties to you concerning the Offer, and you represent, warrant and agree that you have not relied on any statements made by a Limited Party in relation to the Offer and you further expressly disclaim that you are in a fiduciary relationship with any of them.

Selling Restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by the Applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available.

See Section 11.6 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Privacy

By filling out the Application Form to apply for Shares, you are providing personal information to the Offerors, through the Registry which is contracted by the Offerors to manage Applications.

The Offerors, the Joint Lead Managers and the Registry may collect, hold, use and disclose that personal information to process and assess your Application, service your needs as a Shareholder, provide facilities and services that you need or request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Offerors and the Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Offerors' members, agents and service providers on the basis that they will deal with such information in accordance with the Lynch Group's privacy policy and applicable laws. The members, agents and service providers of the Offerors may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Registry for ongoing administration of the register of Shareholders;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder database and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Offerors to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder.

Information contained in the Company's register of members is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

An Applicant has a right to gain access to their personal information that the Offerors and the Registry hold about them, subject to certain exemptions under law. A fee may be charged for access. For information about the storage of personal information by the Registry, you can contact the Registry by email at registrars@linkmarketservices.com.au or by phone at 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia). Access requests must be made in writing to the Company at https://lynchgroup.com.au/contact-us or the Registry's office, by email to registrars@linkmarketservices.com or see details which are disclosed in the Corporate Directory.

Applicants can obtain a copy of the Lynch Group's privacy policy by visiting the Company's website (www.lynchgroup.com.au). By submitting an Application, you agree that the Offerors and the Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

Offer Management

The Offer is being arranged, managed and underwritten by the Joint Lead Managers (other than the Employee Gift Offer, which is not being underwritten). The Underwriting Agreement sets out a number of circumstances where the Joint Lead Managers may terminate the agreement and their obligations. For further information on the terms and conditions of the Underwriting Agreement, you should refer to Section 10.1.

Report on Directors' Forecasts and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act.

The financial services guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call the Lynch Group Offer Information Line on 1800 129 386 (within Australia) or +61 1800 129 386 (outside Australia) from 8.30am to 5.30pm (Sydney Time) Monday to Friday (excluding public holidays) during the Offer Period or contact your Broker. Instructions on how to apply for Shares are set out in Section 7.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

Contents

Key Offer Details

Important Dates

Prospectus lodgement date	Friday, 12 March 2021
Offer Opening Date	Tuesday, 23 March 2021
Offer Closing Date	Wednesday, 31 March 2021
Expected commencement of trading of Shares on the ASX (on a conditional and deferred settlement basis)	Tuesday, 6 April 2021
Settlement	Wednesday, 7 April 2021
Completion (issue and transfer of Shares)	Thursday, 8 April 2021
Expected commencement of trading of Shares on the ASX (on a normal settlement basis)	Friday, 9 April 2021
Expected dispatch of holding statements	Monday, 12 April 2021

Dates may change

The Key Dates are indicative only and may be subject to change without notice.

The Offerors, in consultation with the Joint Lead Managers, reserve the right to vary any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including to close the Offer early, extend the Offer, defer the Offer Closing Date, accept late Applications either generally or in particular cases, issue and transfer Shares at different times to investors, or withdraw the Offer, without prior notification. The quotation and commencement of trading of the Shares are subject to confirmation from ASX. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are encouraged to submit their Application Forms as early as possible after the Offer opens. Time stated throughout this Prospectus refers to Sydney Time.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus.

Questions

If you have any questions about how to apply for the Shares, please call the Lynch Group Offer Information Line on 1800 129 386 (within Australia) or +61 1800 129 386 (outside Australia) from 8.30am to 5.30pm (Sydney Time) Monday to Friday (excluding public holidays) during the Offer Period or contact your Broker.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

Key Offer Statistics

Offer Price (per Share)	$3.60
Total proceeds from issue and transfer of Shares under the Offer	$206.1 million
Total number of Shares available under the Offer	57.2 million
Number of Shares to be held by the Existing Shareholders after the Offer	64.7 million
Total number of Shares on issue at Completion of the Offer	122.1 million
Market Capitalisation at the Offer Price	$439.6 million
Enterprise Value at the Offer Price	$501.4 million
Enterprise Value/pro forma CY21F EBITDA	9.3x
Pro forma CY21F revenue	$329.0 million
Pro forma CY21F NPATA	$29.3 million
Pro forma CY21F NPATA per Share	$0.24
Offer Price/pro forma consolidated CY21F NPATA per Share	15.0x
Annualised pro forma forecast CY21F dividend yield at the Offer Price[1]	3.3%

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1. CY21F pro forma dividend assumes a 50% target payout ratio.

Letter from the Chairman

Dear Investor,

On behalf of the Board of Directors, it gives me great pleasure to offer you the opportunity to become a Shareholder of the Company.

The Lynch 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.

Today, the Lynch Group is a vertically integrated wholesaler and grower of flowers and potted plants. It is the largest wholesaler of floral and potted products to Australian supermarkets. The Lynch Group has also been in China for more than 16 years and is today a leading grower and wholesaler of premium flowers in China.

The Board, Management and Existing Shareholders are excited about the growth prospects of the Company.

In Australia, the supermarket channel penetration of approximately 19% is relatively low compared to the structurally similar UK market of approximately 55%, demonstrating the meaningful upside for the Lynch Group as the only scaled supplier to Australian supermarkets. The Lynch Group will continue to contribute towards this structural shift by improving consumer perceptions of floral quality through continued product innovation and expanded merchandising efforts.

China is a fast-growing floral market that is at an earlier stage relative to floral markets in other developed economies. Currently, there are no vertically scaled integrated players in China that are able to provide high quality, stable, year-round and scaled volume to retail partners. Management believe that the Lynch Group is well positioned to capture the opportunities in China through its own high quality, low-cost floral production farms in the Yunnan Province, combined with leveraging expertise from its Australian operations in areas such as cool-chain management and large-scale, value-added processing. The Lynch Group will continue to increase its production capacity through developing secured land, enhancing yields at existing farms and expanding its penetration into mass-market sales channels for floral products.

The Lynch Group's Senior Management team, led by CEO Hugh Toll, has a track record of delivering impressive financial performance and growth. The Lynch Group navigated through various COVID-19 challenges in 2020 and achieved EBITDA growth despite largely flat revenue in FY20.

Demand for floral products through the Lynch Group's major Australian channels proved to be resilient through the pandemic, including through the periods of extended lockdown. The flexibility of the Lynch Group's global supply chain also demonstrated its worth, with service levels maintained and customer profitability enhanced.

The Board and Management expect the Lynch Group's strong performance to continue and are forecasting CY21F pro forma revenue of $329.0m, pro forma EBITDA of $54.0m, and pro forma NPATA of $29.3m. Pro forma revenue and EBITDA is forecast to grow at 16.1% and 25.7% respectively, between CY20 and CY21F.

The Offer is expected to raise approximately $206.1 million through the issue and transfer of 57.2 million Shares at $3.60 per Share. New Shareholders will represent approximately 46.9% of Shares on issue upon Completion of the Offer. Funds advised by Next Capital, the Founder Shareholders and Axiom will continue to hold 17.4%, 14.9% and 5.7% of the Shares respectively, and the Senior Managers (including the CEO and CFO and their associated entities) are expected to hold 2.0% of the Shares. As a result of the VDB Acquisition, which will be funded in cash and Shares, VDB Shareholders will hold 13.0% of the Shares. These Shares will be subject to voluntary escrow arrangements as described in Section 10.2.

Proceeds from the Offer will allow the Lynch Group to fund the acquisition of the 80% interest in VDB Asia it does not already own, provide additional funding and financial flexibility, pay transaction costs associated with the Offer and pay those Existing Shareholders who are realising all or a portion of their investment in the Company.

This Prospectus contains detailed information about the Offer and the financial and operating performance and outlook of the Lynch Group. As with all companies, the Lynch Group is subject to a range of company specific and general risks including reliance on a number of large customers and supply chain disruptions. The key risks associated with investing in the Company are detailed in Section 5. I encourage you to read this document carefully in its entirety before making your investment decision.

This Offer provides an opportunity for you to share in the Lynch Group's exciting future. The Non-Executive Directors, including myself, will be personally investing in the Offer. On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of the Company.

Yours sincerely,

Patrick Elliott
Chairman

1.
Investment Overview

1. Investment Overview

1.1 Overview of the Lynch Group and its business model

Topic	Summary	Section
Who is the Lynch Group?	The Lynch Group is a vertically integrated value-added wholesaler and grower of flowers and potted plants into the Australian and Chinese floral markets. The Lynch Group has strong positions in both markets; being the largest wholesaler of floral and potted products to Australian supermarkets and a leading grower of premium flowers with an emerging wholesale platform in China. The Lynch Group procures its floral varieties from a global network of third-party growers as well as its own farms. The Lynch Group's Australian farming portfolio comprises of three established Lynch Farms and two third-party operated farms from which the Lynch Group procures floral and plant products. The Lynch Group's China farming portfolio comprises four established Lynch Farms across the Yunnan Province. The Lynch Group's Australian distribution network consists of four processing facilities servicing more than 2,000 retail stores, while the Lynch Group's China business recently established its own processing facility in Shanghai to produce value-added products at scale for the Chinese domestic market (**Shanghai Facility**) alongside an existing dedicated processing facility in Kunming focusing on exports to the Lynch Group's Australian business (**Kunming Facility**).	Section 3.1
What industry does the Lynch Group operate in?	The Lynch Group operates in the Australian and Chinese floral sectors, which are $1.37 billion and $19 billion in size at retail respectively. Flowers are a unique product category that are highly perishable and have a short vase life, resulting in a complex and time-sensitive supply chain with high barriers to entry. In the floral sector, access to robust breeds, premium growers, delicate handling processes and end-to-end cool-chain integrity are important in ensuring that flowers reach the desired end-market in a saleable condition and with optimal vase life.	Section 2.1
What is the Lynch Group's history?	The Lynch Group was founded in Australia in 1915 by the family of Leo Lynch (**Lynch Family**) and began operations as a floral grower and wholesaler. Under the Lynch Family's ownership, the Lynch Group expanded into a vertically integrated wholesaler which pioneered supply to the major supermarkets and expanded into the Chinese market. In 2015, Next Capital acquired a majority interest in the Lynch Group to accelerate the Lynch Group's growth trajectory. Since that acquisition, the Lynch Group has continued to execute on its growth strategy which included the acquisition of a 20% interest in VDB Asia (the holding company of the VDB Group) – a premium rose grower in China with two farms focused on production for the Chinese domestic market. Lynch HK has entered into the VDB Acquisition Agreement to acquire the remaining 80% of the shares in VDB Asia prior to Completion.	Section 3.2

Topic	Summary	Section
What are the Lynch Group's business divisions?	The Lynch Group operates two business divisions: Australia and China. **Australia** The Lynch Group in Australia is the largest vertically integrated scaled supplier of consumer-ready floral products to supermarkets, supplying 88% of total floral products in this retail channel. Management believes the Lynch Group's ability to provide supermarkets with stable, year-round supply of nationally standardised consumer-ready floral products, plus its ability to satisfy peak demand during key events, position it as an ideal partner to Australia's largest supermarkets. The Lynch Group in Australia is the only player of national scale and is able to navigate the complex floral supply chain, including strict and evolving biosecurity regulations, whilst supplying high quality floral products in large quantities that supermarkets require. Key competitive advantages of the Lynch Group's Australian business model are summarised below: • National logistics footprint with cool-chain expertise; • In-house biosecurity expertise; • Diversified procurement base; • Expertise and know-how associated with large-scale production of consumer-ready products; • Operational flexibility to align supply with demand for products; and • Scale advantages which reinforce barriers to entry. **China** The Lynch Group is a leading grower of premium flowers with an emerging wholesale platform in China. The Lynch Group has been in China for more than 16 years and considers itself a high-quality corporate citizen. In 2019, it executed a transformative acquisition of a 20% stake in VDB Asia (the holding company of the VDB Group), a high quality business which has been in China for over 10 years and predominantly produces premium roses on its two farms for the China domestic market. Even before the VDB Acquisition, the Lynch Group and the VDB Group have had a long-standing relationship in China (since the VDB Group's entry into China) and recognise the benefits of a combination to capitalise on the opportunities in China. Following completion of the VDB Acquisition, the Lynch Group will own 100% of the VDB Group, which further strengthens its growth platform in China.	Sections 3.1 and 3.3

<table>
<tr><th>Topic</th><th>Summary</th><th>Section</th></tr>
<tr>
<td>What are the Lynch Group's business divisions? continued</td>
<td>Key competitive advantages of the Lynch Group's business model in China, post completion of the VDB Acquisition, are summarised below:
• On-ground presence since 2004;
• Strong domestic relationships;
• Breeder relationships and advanced growing techniques;
• Sustainable cost and yield advantages with a proven track record;
• Ability to leverage Australian know-how;
• Year-round, low-cost, high quality cool-chain transport;
• Established sales channels; and
• Meaningful growth upside.</td>
<td>Sections 3.1 and 3.3</td>
</tr>
<tr>
<td>What are the Lynch Group's products?</td>
<td>The Lynch Group's core consumer products comprise three categories:
<table>
<tr><th></th><th>Straights</th><th>Arrangements/ bouquets</th><th>Potted plants</th></tr>
<tr><td></td><td>
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<tr><td>Description</td><td>Single flower or bunches of the same flower type</td><td>Multiple flower types with or without foliage</td><td>Low maintenance indoor potted plants</td></tr>
<tr><td>Consumer vase life</td><td>c.7-8 days</td><td>c.7-8 days</td><td>c.5+ years</td></tr>
<tr><td>Customer proposition</td><td>Gifting and self consumption – flexibility to customise</td><td>Primarily gifting – 'complete solution' for customer</td><td>Gifting and self consumption</td></tr>
<tr><td>Complexity</td><td>Low – speed-to-market and handling key to ensure quality</td><td>High – seasonal demand, attractive recipes and scaled processing required</td><td>Low – visual presentation key</td></tr>
</table>
</td>
<td>Section 3.1</td>
</tr>
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Topic	Summary	Section
Who are the Lynch Group's customers?	**Australia** • The Lynch Group provides wholesale floral and potted products to a number of retail channels in Australia including supermarkets, chained retail, online marketplaces and florists. • The Lynch Group predominantly provides wholesale floral products to the largest Australian supermarkets which includes customers such as Coles, Woolworths, Aldi, Costco and IGA. • The Lynch Group's customers in the chained retail segment include Big W, Bunnings, BP petrol stations and David Jones. • The Lynch Group also services a diverse range of other customers including florists, other wholesalers and online marketplace floral players. **China** • The Lynch Group has an established platform for domestic sales of floral products in China. • The Lynch Group typically sells floral products to wholesalers in major cities in China, to various Chinese retailers and directly to end consumers via its own proprietary "WeChat" based webshop. • The Lynch Group exports products from Lynch Farms in China, as well as third-party procured flowers, to support the Lynch Group's Australian business. • Offline retailers, specifically supermarkets, have been a key focus and the Lynch Group's success at Sam's Club has resulted in numerous inbound customer enquiries, with the Lynch Group recently securing Olé and Hema as additional supermarket customers: – Sam's Club, a subsidiary of Walmart, Inc., is a membership-based warehouse retailer with a presence in China; – Olé, a subsidiary of China Resources Vanguard, is an upmarket supermarket chain in China with a focus on imported consumer products; – Hema, a subsidiary of Alibaba Group Holding Limited, is an offline fresh-food focused supermarket chain in China. • Mass-market retailers are searching for a national supplier of consumer-ready floral products, particularly in the context of a highly fragmented and developing market structure in China. • The Lynch Group sees significant opportunity to disintermediate the supply chain and provide retailers with a compelling proposition in terms of scale, quality, security of year-round supply and expertise around end-to-end cool-chain transport. • The Lynch Group's experience over 30 years in merchandising in the major Australian supermarkets can be leveraged to optimise customer relationships, drive product sell-through ensure optimal presentation of products and minimise wastage for both supermarkets and other retail channels.	Sections 3.3.1, 3.3.2 and 3.5.2

Topic	Summary	Section
What are the supply channels?	The Lynch Group in Australia has a diversified and global procurement strategy, leveraging the Australian Lynch Farms as well as a broad network of third-party growers in Australia and globally to ensure sustainable year-round, low-cost supply of high quality products. Approximately 18% of the Lynch Group's Australian business procurement comes from Lynch Farms in Australia and China, with the remainder sourced from third-party grower partners in Australia and key floral growing regions offshore. Approximately 54% of floral products are procured on behalf of customers from third-party Australian growers under long-term supply commitments, highlighting the importance of the Lynch Group to the broader Australian floral supply chain. The Lynch Group in Australia typically imports floral varieties to satisfy peaks in demand associated with events or to procure specific breeds that are not currently grown in Australia. The geographic diversification across growing regions helps to offset seasonal impacts and mitigates exposure to agricultural risks.	Section 3.3.1
What are the Lynch Group's key competitive advantages in Australia?	• **National logistics footprint with cool-chain expertise:** The Lynch Group's national logistics footprint currently services over 2,000 retail stores nationally in Australia with the ability to satisfy base demand as well as increased demand associated with peak events while maintaining cool-chain integrity. • **In-house biosecurity expertise:** The Lynch Group employs industry-leading in-house biosecurity experts that work closely with the government, industry bodies and global growers to adhere to strict biosecurity laws and deliver high quality products to customers reliably and quickly. • **Diversified procurement base:** The Lynch Group has a global, diversified procurement network which helps secure reliable year-round supply of high quality floral products. The Lynch Group's product procurement strategy spans across key floral growing regions both locally and globally, with flowers sourced from leading third-party growers and from Lynch Farms in Australia and China. This diversified procurement strategy minimises agricultural risk and provides the Lynch Group with stable, year-round and high quality supply. • **Expertise and know-how associated with large-scale production of consumer-ready products:** Achieving large-scale production of consumer-ready floral products, whilst maintaining quality, requires expertise in floral handling and advanced processing capabilities. Management believes that the Lynch Group's know-how around processing and merchandising expertise positions it as an ideal partner to provide scaled, year-round supply of quality floral products.	Section 3.1.1

Topic	Summary	Section
What are the Lynch Group's key competitive advantages in Australia? *continued*	• **Operational flexibility to align supply with demand for products:** The Lynch Group's vertically integrated business model, diversified procurement base and product range flexibility enables it to ensure alignment of supply with potential demand variations across the year. • **Scale advantages which reinforce barriers to entry:** The Lynch Group's large scale and vertically integrated business model creates meaningful barriers to entry to other competitors. Other wholesalers are unable to easily replicate the Lynch Group's grower relationships, diversified procurement strategy, biosecurity expertise, floral end-to-end cool-chain management, product innovation knowledge and in-house merchandising capability required to provide stable, year-round supply to customers. Management believes the Lynch Group's ability to provide flowers on a large scale to supermarkets, catering for base and peak demand cycles, positions the Lynch Group as the market leader and an ideal long-term partner for these customers.	Section 3.1.1
What are the Lynch Group's key competitive advantages in China?	• **On-ground presence since 2004:** The Lynch Group has been operating in the China market for more than 16 years, with four established Lynch Farms in China's key floral growing region, the Yunnan Province. The Lynch Group is the leading grower of premium cut flowers in China and has a 35%-40% share in the premium rose category, China's most popular flower variety. • **Strong domestic relationships:** The Lynch Group has strong relationships with local Chinese government authorities and communities through its experienced, in-region team. The Lynch Group considers itself as a high-quality corporate citizen, with strong relationships at various levels of government which are required for developing processing facilities and facilitating farm expansions. The Lynch Group is also embedded within local communities and provides local employment opportunities, as well as training programs for farmers in flower growing regions. • **Breeder relationships and advanced growing techniques:** Global breeders are selective on who they supply quality genetics to in China. The Lynch Group's established relationships with global breeders facilitates access to premium genetics that are not normally available to other growers. Combined with high quality infrastructure at Lynch Farms and favourable growing conditions, the Lynch Group reliably produces large quantities of high-quality floral products for Australian and Chinese markets. • **Sustainable cost and yield advantages with a proven track record:** Modern greenhouse infrastructure and advanced expertise in modern floriculture contributes to the Lynch Farms enjoying higher yields compared to the local growers. As a result, the Lynch Group can produce greater quantities of flowers in shorter timeframes and at sustainably lower costs.	Section 3.1.2

Topic	Summary	Section
What are the Lynch Group's key competitive advantages in China? *continued*	- **Ability to leverage Australian know-how:** Expertise developed over 100 years of operation in Australia is progressively being transferred to China. The Lynch Group in China has a sustainable competitive advantage compared to local competitors through access to market-leading product innovation, global procurement relationships, transport and processing know-how and innovative merchandising capabilities. - **Year-round, low-cost, high quality cool-chain transport:** Full control of cool-chain through partnerships with third-party providers ensures end-to-end product integrity, enhancing vase life and quality for customers. The Lynch Group's vertically integrated model removes layers of wholesale agents between farms and the end customer, further improving product quality through shorter transport times and reducing the level of mark-up on products. - **Established sales channels:** The Lynch Group has a well-established in-house sales platform that has been operating for a number of years. This provides the Lynch Group with a competitive advantage to local growers, flower markets, auction platforms and other local wholesale channels, with the Lynch Group able to leverage its own sales distribution channels and provide a reliable direct-to-market solution for retailers and end consumers for stable volumes and pricing. - **Meaningful growth upside:** Significant land secured in the Yunnan Province provides the Lynch Group with the opportunity to expand production volumes over the medium term. Combined with its processing facility strategy and the opportunity to capture material vertical margins by continuing to establish direct routes to markets, the Lynch Group is well positioned to continue on its historical growth trajectory in China.	Section 3.1.2
What is the Lynch Group's business and growth strategy?	**Australia** The Lynch Group is well positioned to leverage its existing platform and scale to capitalise on structural changes in the Australian floral retail market and drive future growth: - **Supermarket channel structural growth:** Improving consumer perceptions around the freshness and quality of floral products in supermarkets will contribute to continued floral sales growth. For example, in the past 15 years, supermarkets' share of UK floral sales has increased from 18% to approximately 55% in FY2019, driven by improved perceptions around freshness and product quality of floral products. The Lynch Group is contributing towards this structural shift in Australia through increased convenience in purchasing products and by enhancing product freshness through increased product velocity through to end consumers, in addition to expanding its SOR store model (refer to Section 3.3.1 for further discussion on the SOR store conversion strategy) and national merchandising efforts, which have demonstrated a track record of improving consumers' quality perceptions and improved sales performance.	Sections 3.4 and 3.5

Topic	Summary	Section
What is the Lynch Group's business and growth strategy? *continued*	• **Continue to expand channel and customer footprint:** The Lynch Group's expansion into other large retail formats and further penetration of wholesale channels to market will further entrench its position as the most experienced floral industry player with a national footprint. Large chained retailers are increasingly looking to expand their home improvement range and see floral products as a key element of this. In addition, these retailers are looking to simplify their procurement process with a national category leader that provides a national solution for their floral and potted needs. **China** The Lynch Group has identified a number of opportunities in the growing Chinese market across various aspects of the early-stage supply chain: • **Increase production capacity:** The Lynch Group has significant land secured in the Yunnan Province (101 hectares) and plans to develop the remaining land available and expand its floral production volume. • **Become an attractive partner to retailers and grow the direct-to-consumer channel:** The Lynch Group sees significant opportunities to further disintermediate the supply chain and capture vertical margin. Mass-market retailers are searching for a national supplier of consumer-ready floral products, particularly in the context of a highly fragmented and developing market structure. The Lynch Group provides both online and offline retailers with a compelling proposition in terms of scale, quality, security of year-round supply and expertise around end-to-end cool-chain transport. • **Roll out processing facilities across major cities in China:** Post establishment of the Shanghai Facility, the Lynch Group plans to continue rolling out further processing facilities in target major cities in China, providing direct access to some of the largest and wealthiest cities in China. These processing facilities will provide an end-to-end solution from the Lynch Group's supply and production base in the Yunnan Province to delivery of consumer-ready products to customers, enhancing speed to market and product quality for the Lynch Group's range of consumer-ready products.	Sections 3.4 and 3.5

1.2 Key features of the Lynch Group's industry

<table>
<tr><th>Topic</th><th>Summary</th><th>Section</th></tr>
<tr>
<td>Who are the industry participants?</td>
<td>The floral supply chain is complex and requires deep and diverse expertise to effectively manage a perishable, short vase life product. A flower's life cycle is broadly separated into four stages; breeding, growing, wholesaling and retailing.
Key floral industry participants include:
<table>
<tr><th>Industry participants</th><th>Description</th><th>Lynch Group relationship</th></tr>
<tr><td>Breeders</td><td>A flower's life cycle begins with breeders, who conduct research and development (R&D) to create genetics with optimal appearance and vase life characteristics that are tailored for specific growing conditions. As new products are developed, breeders grant the genetic rights to growers (through licences, agency arrangements, cultivation arrangements and trial arrangements) to cultivate floral products and may receive ongoing royalties in return.</td><td>The Lynch Group's established relationships with global breeders facilitates its ability to assess, grow and commercially develop new genetics generally in advance of the general market. These long-term strategic relationships provide the Lynch Group with a first-to-market competitive advantage in China. The Lynch Group has a number of contractual arrangements with breeders, including agency arrangements (which give it rights to multiply, cultivate and widely distribute the genetics and resultant products into the market, in return for royalty payments to the breeder), cultivation arrangements (which give it rights to cultivate breeder-owned genetics for eventual sale) or trial arrangements (which give it the rights to first test new varieties developed by the breeder) to jointly determine whether the breeder will commercialise those varieties in its jurisdictions before other growers and distributors are provided access to those varieties.</td></tr>
</table>
</td>
<td>Sections 2.1.1 and 3.3.2</td>
</tr>
</table>

Topic	Summary			Section
	Industry participants	**Description**	**Lynch Group relationship**	
Who are the industry participants? *continued*	**Growers**	Growers, in collaboration with wholesalers, manage the process of selecting varieties, propagating seedlings, developing young plants to maturity and the production of harvestable products for sale, generally to wholesalers. Modern growing facilities are important in order to maximise the yield and quality of production and mitigate agricultural risk, via protected cropping.	The Lynch Group sources products through a combination of growing at the Lynch Farms in China and Australia, in addition to sourcing products from local growers in Australia and various other countries through long-term relationships. The Lynch Group uses modern greenhouse facilities with advanced infrastructure (such as automatic fertigation, climate control systems and light control) at the Lynch Farms in China during the growing and harvesting phases.	Sections 2.1.1 and 3.3.2
	Wholesalers	Wholesalers procure desired floral varieties from growers and then sell these products through various retail channels. Global procurement capabilities are important to ensure year-round, high quality supply to retailers in order to satisfy base demand and the significant lift in demand for event periods (e.g. Valentine's Day). Wholesalers will transport flowers via road, sea or air, with each logistical method requiring effective cool-chain infrastructure in order to maintain quality and to maximise the vase life of products. Biosecurity expertise is also relevant in minimising rejection risk and delays in delivering floral products to retailers.	Management believes that the Lynch Group's procurement, biosecurity, merchandising and value-add processing expertise positions it as the market leading wholesaler in the Australian and Chinese floral markets and an ideal partner to the large supermarket retailers.	

<table>
<tr><th>Topic</th><th>Summary</th><th>Section</th></tr>
<tr><td>Who are the industry participants? <i>continued</i></td><td>
<table>
<tr><th>Industry participants</th><th>Description</th><th>Lynch Group relationship</th></tr>
<tr><td>Retailers</td><td>Retailers sell value-added floral products that are intended to be attractive and appealing to end consumers. The floral retail market is fragmented in Australia and China and includes florists, supermarkets, online marketplaces and other retailers.</td><td>Management believe that the Lynch Group's expertise in creating high quality consumer-ready products at scale, its ability to adapt products to consumers' changing preferences and its in-house merchandising expertise has led to a leading position in the supermarket channel and means that the Lynch Group is well placed to capitalise on the market growth opportunities in Australia and China.</td></tr>
</table>
</td><td>Sections 2.1.1 and 3.3.2</td></tr>
<tr><td>What are the key drivers of flower demand?</td><td>There is a steady, year-round demand for floral products, with critical peaks occurring at key events throughout the year (such as Valentine's Day, Mother's Day). Base demand is driven by everyday purchases for personal consumption at a consumer's home or office, supplemented by gifting of floral products for events including weddings, funerals, birthdays and anniversaries.
A consumer's reason for purchase will influence product choice. Gifted floral products for milestone events and special occasions will typically be more premium in nature, with a wider variety of products purchased for daily use depending on a consumer's budget and personal preferences.</td><td>Section 2.1.4</td></tr>
<tr><td>What is the size of the Lynch Group's addressable market?</td><td>Australia
Australia's floral industry is a large, stable market that has grown from $1.32 billion retail sales in FY2015 to $1.37 billion in FY2019 at a CAGR of 0.8%. The floral market is forecast to grow at a CAGR of 1.3% out to FY2024 and reach $1.46 billion of annual retail sales by FY2024. Supermarkets are the fastest growing floral retail channel, forecast to grow at a CAGR of 6.3% out to FY2024 to account for 24% of annual floral retail sales.
China
China's fresh cut floral market is significantly larger than Australia's, having recorded $19 billion in retail sales in FY2018 but remains early stage in terms of flower spend per capita compared to other developed countries. Floral sales have grown strongly, recording a 19% CAGR from FY2015 to FY2018. China's floral sales are forecast to double over the next five years and reach a market size of approximately $43 billion by FY2023.</td><td>Sections 2.2, 2.2.1 and 2.3</td></tr>
</table>

Topic	Summary	Section
What are the floral retail channels?	**Australia** The Australian floral retail market is fragmented across four main channels; florists, supermarkets, other retailers and online marketplaces: • **Florists** are the largest retailer of floral products in Australia, accounting for 66% of total sales in FY2019. • **Supermarkets** are the second largest retailer of floral products and accounted for 19% of sales in FY2019. Floral sales via the supermarket channel are growing faster than the broader industry. Supermarkets' share of the floral retail markets has grown from 16% of total retail sales in FY2015 to 19% in FY2019, with florists' market share declining from 70% to 66% over this same period. • **Online** is the third largest retail channel of floral products and accounted for 8% of sales in FY2019. • **Other retailers** are the smallest channel of floral products and accounted for 7% of sales in FY2019. This segment includes petrol and convenience stores, discount and department stores, and DIY stores (such as Bunnings). **China** Retail channels are fragmented in China and include online floral marketplaces, florists, supermarkets and dedicated flower markets. The majority of floral products in China are sold by florists, who obtain their supply from a range of wholesalers. Supermarkets are increasingly embracing flowers as part of their fresh product offering, with the floral category an important traffic driver for supermarkets. Leading supermarkets are investing more in the floral category and are actively seeking partnership with suppliers that can provide them with high quality, year-round supply of flowers and in-store support including category management and merchandising. Online retailers also represent a growing portion of the floral retail market, with a number of providers offering subscription plans for flower deliveries to consumers' homes and offices.	Sections 2.2.1 and 2.3.1

Topic	Summary	Section
With whom does the Lynch Group compete?	**Australia** The Lynch Group is the only large scale, national wholesale supplier of floral products in the highly fragmented Australian market, with an estimated 29% share of the Australian wholesale floral market. Management believe that the Lynch Group's competitors do not have a national presence and are of much smaller scale, with limited penetration into the supermarket floral channel. **China** The Chinese floral grower market is highly fragmented, with 70-80% of existing supply coming from small, household growers (who make up about 99% of the number of floral growers in China). Only less than 1% of the floral growers in China are considered large-scale and they represent 3-5% of China's floral production volumes. Small growers typically have limited floriculture expertise and lower quality infrastructure, in addition to limited access to capital and quality genetics. Roses are the most popular floral product sold by retailers in China and account for approximately 40% of all retail sales. The Lynch Group is the largest premium rose grower in China, with approximately 35%-40% market share.	Sections 2.2.3 and 2.3.1

1.3 Key Strengths

Topic	Summary	Section
Floral market leader in Australia and China	The Lynch Group is the only large scale, national wholesale supplier of floral products in the Australian market, with an 88% share of total floral products in the supermarket channel. It has also successfully established itself in China since 2004 and is the leading grower of premium flowers. The Lynch Group has a large, established platform in China and is progressing its strategy to become a vertically integrated player in the Chinese floral market.	Sections 2.2.3 and 3.3.2
Scale and expertise across a complex chain creates significant barriers to entry	The Lynch Group's large scale and vertically integrated business model creates meaningful barriers to entry to other competitors. Other wholesalers are unable to easily replicate the Lynch Group's grower relationships, diversified procurement strategy, biosecurity expertise, floral end-to-end cool-chain management, product innovation knowledge and in-house merchandising capability required to provide stable, year-round supply to customers.	Section 3.1.1
Diversified floral procurement base secures year-round supply	The Lynch Group's product procurement strategy spans across key floral growing regions both locally and globally, with flowers sourced from leading third-party growers and from the Lynch Farms in Australia and China. This diversified procurement strategy minimises agricultural risk and provides the Lynch Group with stable, year-round and high quality supply.	Section 3.1.1

1. Investment Overview

Topic	Summary	Section
Operational flexibility to align supply with demand	The Lynch Group's vertically integrated business model, diversified procurement base and product range flexibility enables it to ensure alignment of supply with potential demand variations across the year. This operational flexibility proved particularly useful in managing the Business and protecting margins through COVID-19.	Section 3.1.1
Transferable know-how from Australia to replicate success in China	The Lynch Group is successfully leveraging transferable know-how from Australia to its China operations. This provides the Lynch Group with sustainable competitive advantages relative to local growers and progresses its strategy towards becoming a vertically integrated player in the China floral market. The Lynch Group's Australian expertise that is being utilised in its Chinese operations includes: • Global procurement relationships • Breeder relationships • Modern growing practices • Product innovation and margin management • Processing and production expertise • Transport and logistics • Biosecurity expertise • Direct to retailer experience • Deep merchandising capabilities	Section 3.3.6
Track record of revenue and earnings growth with increasing group operating leverage	The Lynch Group has seen strong consistent growth and operating leverage, delivering improved margins and strong free cash flow conversion: • Pro forma revenue growth of 11.5% CAGR (FY19 to FY21F); • Pro forma EBITDA growth of 50.3% CAGR (FY19 to FY21F); • Cash flow conversion of 96.3% (FY21F); and • The Lynch Group generally targets a minimum return on invested growth capital (**ROIC**) of 25%.	Section 4.3
Multiple growth avenues through clearly defined strategic opportunities leveraging leading market position	The Lynch Group is well positioned to leverage its existing platform to capitalise on the structural growth in the supermarket channel of the Australian floral retail market and further diversify its customer base across other retail channels. The Lynch Group has identified a number of opportunities in the developing Chinese market including to increase production capacity, become an attractive partner to retailers and grow the direct to consumer channel, and roll out processing facilities across major cities in China.	Sections 3.4 and 3.5
Strong corporate platform with a highly experienced management team	The Lynch Group has over 100 years of history and has recently undergone a period of ownership under a private equity fund, Next Capital. Under Next Capital's ownership, the Lynch Group has continued to execute on its growth strategy which included the acquisition of a 20% interest in VDB Asia and the addition of key management personnel to the Lynch Group (CEO Hugh Toll, CFO Steve Wood, and Australia Chief Executive Officer David Di Pietro).	Section 3.2

1.4 Key financials

Topic	Summary	Section
What is the Lynch Group's pro forma historical and forecast financial performance?		Sections 4.3.1, 4.6.1 and 4.7.1

Pro Forma and Statutory Income Statements

		Pro Forma Historical		Pro Forma Forecast		Statutory
A$ millions	**Note**	**FY19**	**FY20**	**FY21F**	**CY21F**	**FY21F**
Revenue	1	254.2	255.2	316.1	329.0	288.8
Operating margin		55.1	63.4	85.3	87.3	72.3
Operating expenses		(31.9)	(33.5)	(33.0)	(33.3)	(43.0)
EBITDA		23.2	30.4	52.4	54.0	44.7
Profit before tax		3.7	10.1	32.8	33.8	28.8
Profit for the year		2.2	6.8	23.9	24.8	22.3
NPATA	2	7.7	12.1	28.7	29.3	25.7

Notes:

1. **Revenue** is derived from selling floral and potted products to wholesalers and retailers in Australia and China, net of credits, rebates and discounts.
2. **NPATA** is net profit after tax adjusted for acquired amortisation. Acquired amortisation comprises the amortisation of acquired intangibles assets.

Pro Forma and Statutory Forecast Cash Flows

	Pro Forma Historical		Pro Forma Forecast		Statutory
A$ millions	**FY19**	**FY20**	**FY21F**	**CY21F**	**FY21F**
EBITDA	23.2	30.4	52.4	54.0	44.7
Cash generated from operations	14.7	36.7	50.4	52.9	32.5
Net cash flow before financing activities	(7.3)	16.4	27.6	28.3	15.5
Net cash flow					18.1

Statutory and Pro Forma Historical Statement of Financial Position

A$ millions	Statutory 27 Dec 2020	VDB Group	Impact of the Offer	Revised capital structure	Pro Forma 27 Dec 2020
Assets	233.9	94.5	56.5	(24.6)	360.3
Liabilities	(155.0)	(18.2)	1.5	24.2	(147.4)
Net assets	78.9	76.3	58.0	(0.4)	212.8
Equity	78.9	76.3	58.0	(0.4)	212.8

Topic	Summary	Section
What is the Lynch Group's dividend policy?	The payment of a dividend by the Company 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 Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. Having regard to the factors outlined above, the Board's current intention is to target a dividend payout ratio of at least 50% of annual NPATA. Depending on available profits and the financial position of the Company, it is the intention of the Board to declare interim dividends in respect of half years ending December and final dividends in respect of full years of each financial year. No dividend will be paid in respect of the financial year ending 27 June 2021 due to the timing of the Offer. The Directors anticipate that the first dividend to Shareholders will be determined in respect of the 1H FY22F period and will become payable in or around March 2022. The Directors expect this dividend to be fully franked. No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking on any such dividend.	Section 4.11

1.5 Key risks

There are a number of risks associated with the Lynch Group's business, the industry in which it operates and the general risks associated with investment in the Company that may affect the Lynch Group's business, financial position, operating and financial performance, growth, price and/or value of Shares and return on investment for Shareholders. The following table is a select summary of certain key risks that the Lynch Group is exposed to. Further details about the risks specific to an investment in the Company are set out in Section 5. You should consult your professional advisers before deciding whether to apply for Shares.

Topic	Summary	Section
Customer concentration risk – Reliance on a number of large customers in Australia	A significant proportion of the Lynch Group's revenue is currently attributable to a small number of the major supermarkets. The Lynch Group has relied on strong long-term commercial relationships with these key customers as its competitive advantage. If the relationship between the Lynch Group and any of these key customers deteriorates (for any reason), there will be a significant adverse impact on the Lynch Group's revenue and financial performance.	Section 5.2.1
Integration of the VDB Group into the Lynch Group may not be successful	The integration of the VDB Group into the Lynch Group is important to assist in the Lynch Group's realisation of its long-term growth objectives in China. However, the integration may not be as successful as expected or take longer to execute and thus, may have a material adverse effect on the Lynch Group.	Section 5.2.2

Topic	Summary	Section
Inheriting liabilities of the VDB Group	There is a risk that the Lynch Group will inherit liabilities of the VDB Group which are unknown and not covered by the warranty and indemnity regime or the locked box accounts mechanism contained in the VDB Acquisition Agreement.	Section 5.2.3
Geopolitical risks of operating in China	As the Lynch Group operates and owns key assets in China, any current heightening of political and economic tensions in the bilateral relationship between Australia and China may have an adverse impact on the Lynch Group's operations.	Section 5.2.4
Regulatory risks in China	The Lynch Group's operations in China are subject to various laws and regulations in China, which are relatively new and therefore may not have established practices and precedents. The uncertainties and/or inconsistencies in the enforcement of recent existing laws and regulations in China may create challenges for the Lynch Group's ability to operate the Business in China in strict compliance with all applicable laws and regulations. The uncertainties in the legal and regulatory system in China could affect the Lynch Group's activities and operations in China and its ability to manage and retain its interests in China, as well as the profitability of the Lynch Group's operations in China.	Section 5.2.5
Litigation involving Florina	The Lynch Group is subject to a claim in the Supreme Court of Queensland. The claim has been filed by the liquidator of Florina for alleged uncommercial transactions involving the Lynch Group and Chittering Valley prior to Florina being placed in liquidation. If the liquidator of Florina is successful, the Lynch Group's liability to the liquidator could be up to $3.6 million (plus costs).	Section 5.2.6
Lack of written customers contracts	The Lynch Group does not have any written fixed-term agreements with its customers and relies on long-standing relationships with its customers to generate and secure ongoing revenue. Without written contracts in place, there is no certainty of sale volumes and the arrangements between the Lynch Group and its customers can be terminated or varied by the customers without notice or penalty, and as such, a deterioration in the Lynch Group's relationship with these customers may result in a loss of business.	Section 5.2.7
Glyphosate	Due to a number of successful and pending litigations around the world, including in Australia, claiming liability for cancer relating to the use of glyphosate, there is a risk that the Lynch Group may be involved in future litigation regarding its use of glyphosate in the Business, which may have a material impact on the Lynch Group's financial position, reputation and price of its Shares.	Section 5.2.8
Short vase life product and wastage	The floral and plant products produced and distributed by the Lynch Group have a short vase life and there is a risk that these products are delivered in a condition that cannot be sold to end consumers. Significant wastage of products may impact on the Lynch Group's ability to generate revenue and its overall financial performance.	Section 5.3.1

Topic	Summary	Section
Supply chain disruptions	There are components of the Lynch Group supply chain which are time critical and a disruption to time critical parts of the supply chain could impact on the Lynch Group's ability to supply floral and plant products to its customers. As such, a failure of, or disruption in, the Lynch Group's supply chain could be adverse to the Lynch Group's future financial performance.	Section 5.3.3
Lack of long-term arrangements with key third-party suppliers	The ability for the Lynch Group to secure ongoing supply of products it supplies to its customers is dependent on the strength of its relationships with its third-party suppliers. However, the Lynch Group lacks long-term arrangements with these suppliers and any significant deterioration in these relationships would have material adverse effect on the financial performance of the Lynch Group.	Section 5.3.4
Pandemic risks (including COVID-19)	The uncertainties as to the full impact of the COVID-19 pandemic may create business risks for the Lynch Group in reducing consumer demand for the Lynch Group's products, delaying distribution timeframes and increasing the cost of supply. Further, COVID-19 may impede the Lynch Group's successful expansion in China, reduce personnel levels and adversely impact on the Lynch Group's supply chain.	Section 5.3.10
Other risks	A number of other business specific and general investment risks are discussed in Section 5, including (without limitation) risks associated with: • Disease and infestation; • Economic cycles and consumer behaviour; • Workplace accident risks; • Foreign currency exposure; • Repatriation of funds to Australia; • Climate change; • Risk of Shareholder dilution; • Taxation treatment of Shares may change; • Australian Accounting Standards may change; • Changes to laws and regulations, including changes to Australia's quarantine and customs requirements; and • General economic and financial market conditions.	Section 5

1.6 Board and Senior Management

Topic	Summary	Section
Who are the Directors of the Company?	• Patrick Elliott (Chair and Non-Executive Director) • Hugh Toll (Group Chief Executive Officer and Executive Director) • Peter Clare (Independent Non-Executive Director) • Elizabeth Hallett (Independent Non-Executive Director) • Peter Arkell (Independent Non-Executive Director)	Section 6.1
Who are the Senior Managers of the Company?	• Hugh Toll (Group Chief Executive Officer) • Steve Wood (Group Chief Financial Officer) • David Di Pietro (Chief Executive Officer, Australia) • John Khalil (Executive Director, China) • Tianchang (Dennis) Lin (General Manager, China) • Michaelis Bambacas (Head of Sales, Australia) • Dirk Vlaar (Head of Sales, China) • Maroun Khalil (Head of Procurement, Australia) • Gino Gioia (Head of Product Design and Innovation, Australia) • Scott Salter (Chief Scientist) • Rodney Richards (General Manager Business Development)	Section 6.3

1.7 Significant interests of key people and related party transactions

<table>
<tr><th>Topic</th><th>Summary</th><th>Section</th></tr>
<tr><td>Who are the Existing Shareholders and what will their interest be at Completion of the Offer?</td><td>
<table>
<tr><th>Existing Shareholder</th><th colspan="2">Shares held immediately prior to Completion</th><th>Sell down</th><th colspan="2">Shares held on Completion</th></tr>
<tr><th></th><th>m</th><th>%</th><th>%</th><th>m</th><th>%</th></tr>
<tr><td>Next Capital</td><td>30.3</td><td>35.0%</td><td>30.0%</td><td>21.2</td><td>17.4%</td></tr>
<tr><td>Founder Shareholders</td><td>26.0</td><td>30.0%</td><td>30.0%</td><td>18.2</td><td>14.9%</td></tr>
<tr><td>Axiom</td><td>10.0</td><td>11.6%</td><td>30.0%</td><td>7.0</td><td>5.7%</td></tr>
<tr><td>Hugh Toll</td><td>0.6</td><td>0.7%</td><td>0.0%</td><td>0.6</td><td>0.5%</td></tr>
<tr><td>Steve Wood</td><td>0.3</td><td>0.4%</td><td>30.0%</td><td>0.2</td><td>0.2%</td></tr>
<tr><td>Other Management Shareholders</td><td>3.4</td><td>3.9%</td><td>54.7%</td><td>1.5</td><td>1.3%</td></tr>
<tr><td>VDB Shareholders[2]</td><td>15.9</td><td>18.3%</td><td>NA</td><td>15.9</td><td>13.0%</td></tr>
<tr><td>Total</td><td>86.6</td><td>100.0%</td><td></td><td>64.7</td><td>53.0%</td></tr>
</table>
Some Existing Shareholders will sell all or a portion of their Shares into the Offer through their arrangements with SaleCo (see Section 11.3).</td><td>Section 7.1.4</td></tr>
</table>

[2] VDB Shareholders will become Existing Shareholders upon completion of the VDB Acquisition, which is expected to occur shortly prior to Completion.

<table>
<tr><th>Topic</th><th>Summary</th><th>Section</th></tr>
<tr><td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</td><td><table>
<tr><th>Key people</th><th>Interest or benefit</th></tr>
<tr><td>Executive Director</td><td>Ownership of Shares
Remuneration</td></tr>
<tr><td>Non-Executive Directors</td><td>Ownership of Shares
Directors’ fees</td></tr>
<tr><td>Senior Managers</td><td>Ownership of Shares
Remuneration</td></tr>
<tr><td>Next Capital</td><td>Ownership of Shares</td></tr>
<tr><td>Founder Shareholders</td><td>Ownership of Shares</td></tr>
<tr><td>VDB Shareholders</td><td>Ownership of Shares</td></tr>
<tr><td>Advisers and other service providers</td><td>Fees for services</td></tr>
</table></td><td>Section 6.1</td></tr>
<tr><td>Will any Shares be subject to restrictions on disposals following Completion of the Offer?</td><td>The Escrowed Shares will comprise approximately 53.0% of the total Shares outstanding at Completion of the Offer. The Company’s free float at the time of Listing will not be less than 20% for the purposes of Listing Rule 1.1 condition 7.
All Shares held on Completion of the Offer by the Escrowed Shareholders (or entities that they control or that are associated with them) will be subject to voluntary escrow arrangements, which will prevent them from disposing of their escrowed Shares for specific periods. See Section 10.2 for further details.</td><td>Section 10.2</td></tr>
<tr><td>Are there any other related party arrangements?</td><td>The Lynch Group has entered into a number of real property leases and floral supply arrangements with entities that are controlled by the Lynch Family and their associates. All of these leases are on arms’ length terms and have been entered into for use in the ordinary course of the Lynch Group’s business.
The Company has also received loans from certain Existing Shareholders that have an aggregate value of $11.4 million. It is expected that these shareholder loans will be repaid from the proceeds of the Offer and the loans will be discharged upon repayment.</td><td>Section 6.6</td></tr>
</table>

1.8 Overview of the Offer

Topic	Summary	Section
What is the Offer?	The Offer comprises the offer of 35.4 million New Shares by the Company and the sale of 21.9 million Existing Shares of some of the Existing Shareholders (which will be facilitated through SaleCo) at an Offer Price of $3.60 per Share. The Shares offered under this Prospectus will represent approximately 46.9% of the Shares on issue on Completion of the Offer. The total number of Shares on issue at Completion will be 122.1 million and all Shares on issue will rank equally with each other.	Section 7.1
Who is the issuer of this Prospectus?	The Company and SaleCo.	Section 11.3
What is SaleCo?	SaleCo is a special purpose vehicle which has been established to facilitate the sale of some of the Existing Shares held by the Existing Shareholders.	Section 11.3
Who are the Existing Shareholders?	Shareholders who hold Existing Shares immediately prior to Completion of the Offer.	Section 7.1.4
What is the proposed use of funds raised under the Offer?	The purpose of the Offer is to: • finance the acquisition of the remaining 80% interest in VDB Asia pursuant to the VDB Acquisition Agreement; • repay corporate debt, including loans to certain Existing Shareholders, of the Lynch Group; • allow Existing Shareholders to realise all or a portion of their investment in the Company through the sale of some or all of their Existing Shares through SaleCo; • broaden the Lynch Group's shareholder base and provide a liquid market for Shares; • provide the Lynch Group with the benefits of an increased brand profile that arises from being a publicly listed entity; and • pay transaction costs.	Section 7.1.2

<table>
<tr><th>Topic</th><th>Summary</th><th>Section</th></tr>
<tr><td>What are the sources and uses of funds?</td><td>
<table>
<tr><th>Sources</th><th>$m</th><th>Uses</th><th>$m</th></tr>
<tr><td>Cash proceeds received for New Shares issued under the Offer</td><td>$127.4</td><td>Payment of cash component of VDB Purchase Price</td><td>$33.4</td></tr>
<tr><td>Cash proceeds received for Existing Shares transferred under the Offer</td><td>$78.7</td><td>Repayment of corporate debt</td><td>$74.5</td></tr>
<tr><td></td><td></td><td>Payment to Existing Shareholders of proceeds from the sale of 21.9 million Existing Shares</td><td>$78.7</td></tr>
<tr><td></td><td></td><td>Payment of costs of the Offer</td><td>$19.5</td></tr>
<tr><td>Total sources</td><td>$206.1</td><td>Total uses</td><td>$206.1</td></tr>
</table>
The table above is a statement of the Company’s current intentions as at the Prospectus Date. The Board retains the right to vary these uses of funds, acting in the best interests of the Company and as circumstances require.</td><td>Section 7.1.3</td></tr>
<tr><td>What are the components of the Offer?</td><td>The Offer comprises the following components:
• Institutional Offer: open to Institutional Investors in Australia and certain other eligible jurisdictions outside the United States;
• Broker Firm Offer: open to investors with a registered address in Australia who have received a firm application from a participating Broker;
• Priority Offer: open to investors in eligible jurisdictions who have received a Priority Offer invitation; and
• Employee Gift Offer: open only to Eligible Employees.</td><td>Sections 7.1.1 and 7.2</td></tr>
<tr><td>Will the Company be adequately funded on Completion of the Offer?</td><td>The Directors believe that, on Completion, the Company will have sufficient working capital from the funds raised from the Offer, the Lynch Group’s operations and the Lynch Group’s committed lines of debt facilities to carry out its objectives as stated in this Prospectus.</td><td>Section 7.1.6</td></tr>
<tr><td>Who are the Joint Lead Managers on the Offer?</td><td>The Joint Lead Managers are Citigroup Global Markets Australia Pty Limited, Jarden Australia Pty Ltd and J.P. Morgan Securities Australia Limited.</td><td>Important information</td></tr>
</table>

Topic	Summary	Section
Is the Offer underwritten?	The Joint Lead Managers have fully underwritten the Offer (other than the Employee Gift Offer) pursuant to the Underwriting Agreement.	Section 10.1
Will the Shares be quoted on ASX?	Yes. The Company will apply to ASX within 7 days of the Prospectus Date for its admission to the Official List and quotation of Shares (under the code "LGL"). The issue and allotment of Shares is conditional on ASX approving the Company's application for admission and quotation. If approval is not given within 3 months after such application is made (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.9
What is the allocation policy?	The allocation of Shares between the Institutional Offer, Broker Firm Offer, Priority Offer and Employee Gift Offer was determined by agreement between the Offerors and the Joint Lead Managers, having regard to the allocation policies outlined in Sections 7.3.2, 7.4.4, 7.5.4, and 7.6.3.	Sections 7.3.2, 7.4.4, 7.5.4 and 7.6.3
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer. See Section 6.4.5 for details of various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers (on behalf of the Company).	Sections 7.1.7 and 6.4.5
Are there any tax considerations for Australian investors?	Yes. Refer to Section 9 and note that it is recommended that all investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.	Section 9
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or about 12 April 2021. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion of the Offer.	Section 7.9

Topic	Summary	Section
How can I apply?	**Institutional Offer** The Joint Lead Managers separately advised Institutional Investors of the Application procedure under the Institutional Offer. To the maximum extent permitted by law, an application under the Offer is irrevocable. **Broker Firm Offer** Applicants under the Broker Firm Offer may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and lodging it with the Broker who invited you to participate in the Broker Firm Offer. **Priority Offer** Applicants under the Priority Offer may only apply for Shares online at https://events.miraqle.com/lynchgroup-ipo using the online Application Form. Priority Offer Applicants applying under the Priority Offer must pay their Application Monies via BPAY® or direct bank transfer in accordance with the instructions on the personalised Priority Offer invitation (no physical Application Form is needed when paying in this manner) or otherwise as agreed between the Company and the Joint Lead Managers. There are instructions set out on the online Application Form to help you complete it. **Employee Gift Offer** Applicants under the Employee Gift Offer may only apply for Shares online at https://events.miraqle.com/lynchgroup-ipo using the online Application Form.	Sections 7.3.1, 7.4.2, 7.5.2, and 7.6.2
What is the minimum and maximum Application size under the Offer?	**Broker Firm Offer** The minimum Application size under the Broker Firm Offer is $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer, unless directed by your Broker. **Priority Offer** The minimum Application size under the Priority Offer is $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. The maximum number of Shares that may be applied for under the Priority Offer will be set out in the personalised Priority Offer invitation. **Employee Gift Offer** Applicants under the Employee Gift Offer are entitled to apply for and will receive a guaranteed allocation of $1,000 worth of Shares. Applications under the Employee Gift Offer must be for the exact number of Shares set out in the separate personalised offer letter provided to that Eligible Employee. The Offerors and the Joint Lead Managers reserve the right to reject an Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.	Sections 7.4.2, 7.5.2 and 7.6.2

Topic	Summary	Section
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about 9 April 2021 on a normal settlement basis once the Company has advised ASX that initial holding statements have been dispatched to Shareholders. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Offerors, the Registry, the Joint Lead Managers and the Financial Adviser disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving a holding statement, even if that person received confirmation of their allocation from the Lynch Group Offer Information Line or confirmed their firm allocation through a Broker.	Section 7.9.3
What rights and liabilities attach to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 10.3.	Section 10.3
Can the Offer be withdrawn?	The Offerors reserve the right to withdraw the Offer at any time before the issue of New Shares or transfer of Existing Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Section 7.8
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Lynch Group Offer Information Line on: • within Australia: 1800 129 386; or • outside Australia: +61 1800 129 386, from 8.30am to 5.30pm (Sydney Time), Monday to Friday (excluding public holidays). If you have any questions about whether to invest, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.	Key Offer Details

2.

Industry Overview

2. Industry Overview

2.1 Overview of the floral industry

The floral industry broadly includes; the breeding, growing, processing, distribution, wholesaling and retail sale of cut flowers and potted plant products.

The Lynch Group operates in the Australian and Chinese floral sectors, which are $1.37 billion[3] and $19 billion[4] in size at retail respectively. The Australian floral market has grown at a CAGR of 0.8% between FY2015 and FY2019.[5] The Lynch Group grows and supplies flowers mainly to supermarkets in Australia, a retail channel which is growing faster than the broader floral market and capturing market share from the traditional florist channel. The penetration of floral products in UK supermarkets, which accounted for approximately 55% of UK floral retail sales in FY2019[6], indicates the long-term potential for Australian supermarkets. While the Chinese floral market is at a comparably early stage to the Australian market, it is growing at a faster CAGR of 19%.[7] The Lynch Group is a large scale premium grower in China and is increasing its wholesaling exposure to fast growing retail channels, with strong e-commerce growth accelerating consumer interest in floral products. Flowers are a unique product category that are highly perishable and have a short vase life, resulting in a complex and time-sensitive supply chain with high barriers to entry. Management believe that established vertically integrated players with scale, such as the Lynch Group, are best positioned to provide stable, year-round supply of high quality flowers to end-markets.

2.1.1 Floral supply chain overview

The floral supply chain is complex and requires deep and diverse expertise to effectively manage a perishable, short vase life product. The floral marketplace is global, with floral products for key end-markets typically sourced from a number of geographical growing regions to ensure consistent high quality supply of a diverse product range all year round. Given the short vase life of flowers, access to premium variety and growers, delicate handling and end-to-end cool-chain integrity is important for ensuring that flowers reach the desired end-market in a saleable condition and with optimal vase life.

A flower's life cycle is broadly separated into four stages; breeding, growing, wholesaling and retailing. During the breeding stage, new flower genetics are developed over a number of years by large breeders and then provided to growers under licensing agreements. Growers then plant these genetics and harvest the resulting raw flowers, with these products destined for domestic or export consumption. Limited processing may occur during the growing stage if these flowers are to be exported overseas, including cutting, devitalisation and fumigation. Growers then sell these raw floral products to wholesalers, who procure desired varieties based on demand from floral retailers. The selected transport method for these products will depend on whether they are destined for domestic or export consumption, with the ability to provide end-to-end cool-chain infrastructure important across all transport methods. If floral products are to be exported, wholesalers are also required to comply with inspection and biosecurity regulations imposed by the importing country. Wholesalers will also typically process raw flowers into consumer-ready floral products and transport them to retailers, with these products ultimately purchased by end consumers through various retail channels. An overview of each stage of the floral supply chain is provided below.

Breeding

A flower's life cycle begins with breeders, who conduct research and development (R&D) to create genetics with optimal appearance and vase life characteristics that are tailored for specific growing conditions. As new products are developed, breeders grant the genetic rights to growers (through licences, agency, cultivation or trial arrangements) to cultivate floral products and may receive ongoing royalties in return. Breeding is the longest phase of the floral supply chain, with new, quality genetics taking approximately seven years to develop. Given this long lead time and the meaningful capital and R&D expenditure required to develop new floral genetics, the industry is largely comprised of large breeders from the Netherlands, Germany and Spain. Strong relationships between breeders and wholesalers enables alignment of product innovation and floral varieties suited to their end demand markets.

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3. Management has formed this view based on review of various independent sources.
4. China Flower Statistics 2010: China Ministry of Agriculture (published in 2011), China Flower Statistics 2015,: China Ministry of Agriculture (published in 2016), Cut Flower in China (: 2018), PMA (August 2018). Market size figures converted at AUD/RMB exchange rate of 1:5.00.
5. Management has formed this view based on review of various independent sources.
6. Ibid.
7. China Flower Statistics 2010: China Ministry of Agriculture (published in 2011), China Flower Statistics 2015: China Ministry of Agriculture (published in 2016), Cut Flower in China (2018), PMA (2018).

The Lynch Group will negotiate and secure agreements with breeders for new varieties to test them (at its own cost) for local growing conditions and select flower types (variety, colour etc.) and other characteristics such as resistance to pests and transportability in order to maximise vase life. Following successful growing trials, the Lynch Group may then elect to commercialise the varieties (through agency or cultivation arrangements, in exchange for a royalty payable to the breeder) by working with the Lynch Farms and other third-party growers to produce these varieties for distribution through wholesale and retail channels.

Growing

Growers (in collaboration with wholesalers) manage the process of selecting varieties, propagating seedlings, developing young plants to maturity and the production of harvestable products for sale, generally to wholesalers.

Modern growing facilities are important in order to maximise the yield and quality of production and mitigate agricultural risk, via protected cropping. Flowers are typically grown either in soil or in hydroponic systems. The Lynch Group sources products through a combination of growing at the Lynch Farms in China and Australia, in addition to sourcing products from local growers in Australia and various other countries through long-term relationships. The Lynch Group uses modern greenhouse facilities with advanced infrastructure (such as automatic fertigation, climate control systems and light control) at the Lynch Farms in China during the growing and harvesting phases.

Key grower markets are typically located near the equator within a sub-tropical climate at high altitude which represents optimal growing conditions, resulting in distinct growing/export markets around the world (see Section 2.1.2).

Biosecurity compliance is a key consideration for growers, who are generally at risk with respect to any flowers that are rejected prior to entering import countries. Growers can reduce the risk of rejection through effective treatment and/or fumigation of flowers prior to export. For example, the Lynch Group works with government authorities in both Kenya and Australia and its grower partners in Kenya to ensure that all floral products destined for the Australian market are grown and treated according to an agreed and certified protocol prior to being exported. The combination of mitigating actions reduces delays at the border, regulatory interception, quality related defects and any potential wastage.

Wholesaling

Wholesalers procure desired floral varieties from growers and then sell these products through various retail channels. Global procurement capabilities are important to ensure year-round, high quality supply to retailers in order to satisfy base demand and the significant lift in demand for event periods (such as Valentine's Day). Given the perishable nature of flowers, speed to market and efficient end-to-end cool-chain transportation methods are key to maintaining a high quality product for the end consumer. Wholesalers will generally transport flowers domestically via road and internationally via sea or air-freight methods, with each logistical method requiring effective cool-chain infrastructure in order to maintain quality and to maximise the vase life of products. Biosecurity expertise is also relevant in minimising rejection risk and delays in delivering floral products to retailers. It typically takes 2-6 days for imported flowers to arrive at the Lynch Group's processing facilities in Australia from the time the flowers are cut. The complexity associated with transporting floral products to end-markets highlights the importance of the wholesaler, with growers and retailers typically lacking the scale and expertise to effectively transport and store these short vase life products. Large wholesalers also generally have processing capabilities to transform raw flowers into value-added, consumer-ready floral products. Management believes that the Lynch Group's procurement, biosecurity, merchandising and value-add processing expertise positions it as the market leading wholesaler in the Australian and Chinese floral markets and an ideal partner to the large supermarket retailers.

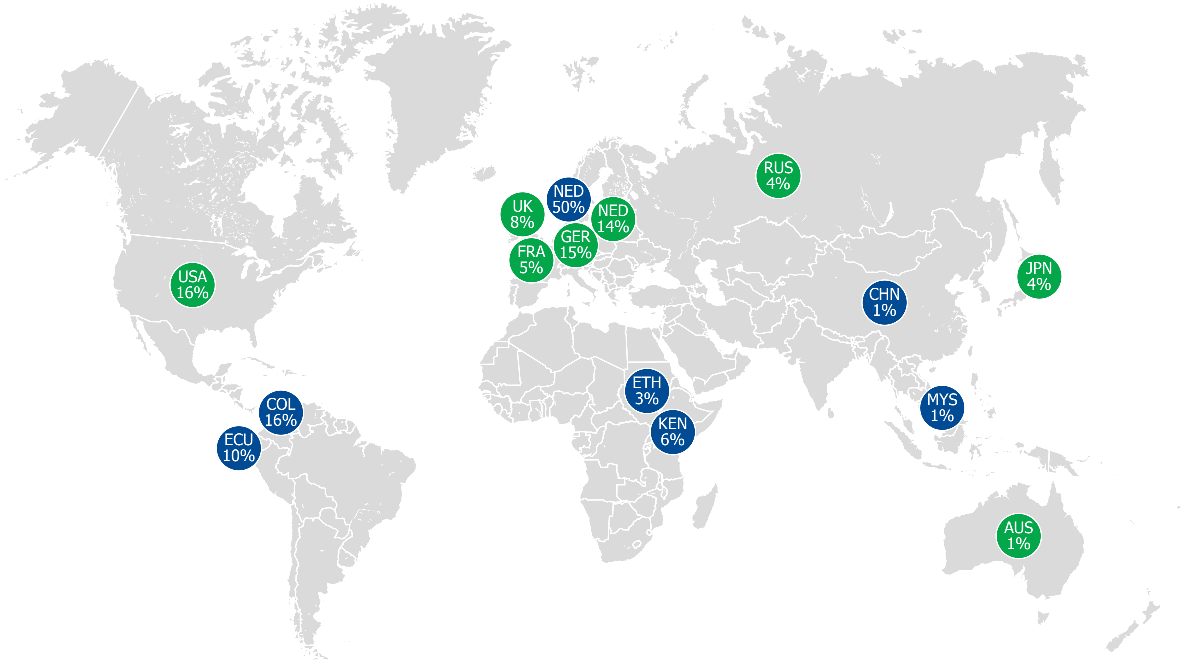
Retailing

Retailers sell value-added floral products that are intended to be attractive and appealing to end consumers. The floral retail market is fragmented in Australia and China and includes florists, supermarkets, online marketplaces and other retailers. As consumer preferences for floral products are diverse and continue to evolve, retailers require a consumer-centric product range with the ability to innovate and manage flower categories. As floral products have a short vase life, strong merchandising capability is also important to maximise the attractiveness of floral displays and attract consumers in order to maximise sell-through and minimise wastage. Management believe that the Lynch Group's expertise in creating high quality consumer-ready products at scale, its ability to adapt products to consumers' changing preferences and its in-house merchandising expertise has led to a leading position in the supermarket channel and means that the Lynch Group is well placed to capitalise on the market growth opportunities in Australia and China.

2.1.2 Global trade flows

The floral marketplace is global, with products sourced worldwide to ensure consistent supply to satisfy year-round demand. The Netherlands, Colombia and Ecuador are the largest floral export markets, representing 50%, 16% and 10% of global exports, respectively.[8] China is becoming an increasingly relevant growing region, with Yunnan province becoming a key supplier given its sub-tropical climate with no definite dry or rainy season. The growing regions within Yunnan province are located approximately 2,000 metres above sea level, with its elevation making it an attractive location to grow flowers. The Lynch Group's business in China is the largest grower in Yunnan and operates four large-scale Lynch Farms in the Yunnan Province. An overview of global trade flows in the floral industry is shown in Figure 1 below.

Figure 1: Global trade flows in the floral industry



🔵 Key grower market, estimated global export market share %

🟢 Key end market, estimated global import market share %

Source: International Statistics Flowers and Plants 2020 Volume 68, AIPH & Union Fleurs (2020).

Given the complex supply chain and perishable nature of floral products, end-markets will typically source from growers in nearby countries to minimise travel time and costs and maximise product vase life. The largest import countries globally are the United States, Germany and the Netherlands, representing 16%, 15%, and 14% of global imports, respectively.[9]

2.1.3 Global floral consumption

There is also a positive relationship between flower spend and GDP per capita, with high GDP per capita countries such as Switzerland, the Netherlands or the UK typically spending more on floral products. China is a large market given its population size and growing consumer demand for floral products, with Figure 2 below illustrating that consumer spending on floral products has risen in line with China's GDP per capita over the last five years. China is currently the 2nd biggest market for floral sales[10], as shown in Figure 3 below.

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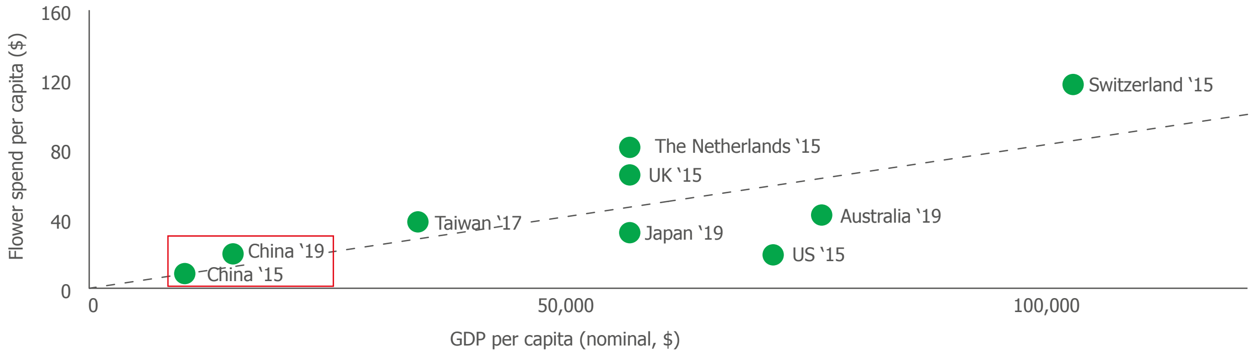
[8] International Statistics Flowers and Plants 2020 Volume 68, AIPH & Union Fleurs (2020).

[9] Ibid.

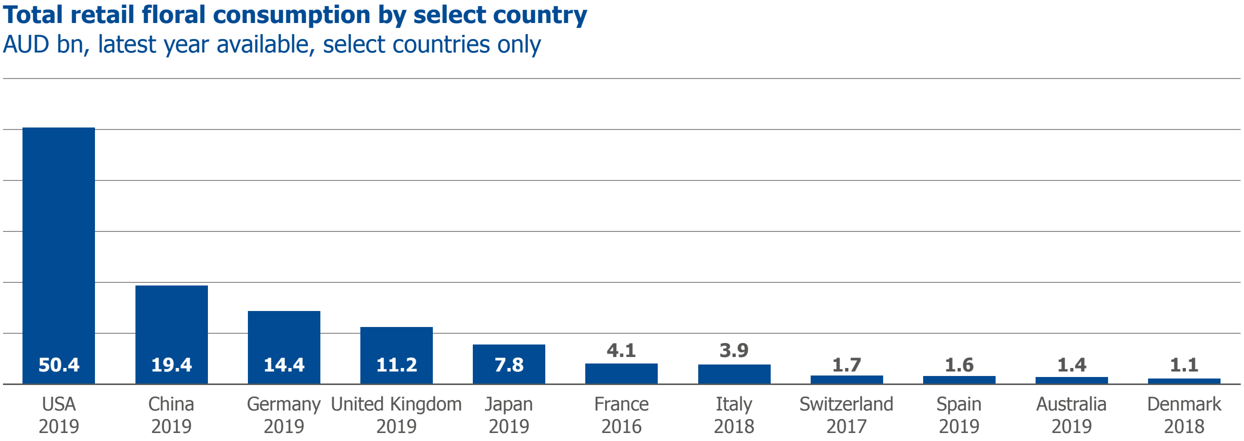
[10] International Statistics Flowers and Plants 2020 Volume 68, AIPH & Union Fleurs (2020), Flora Holland Survey 2015.

Figure 2: Flower spend per capita vs GDP per capita



Source: International Statistics Flowers and Plants 2020 Volume 68, AIPH & Union Fleurs (2020), Flora Holland Survey 2015.
Note: For flower spend per capita (A$), latest available data for each country has been used.

Figure 3: Ranking of largest flower markets globally (ranked by market size)



Source: International Statistics Flowers and Plants 2020 Volume 68, AIPH & Union Fleurs (2020), Flora Holland Survey 2015.

2.1.4 Key demand drivers

There is a steady, year-round demand for floral products, with critical peaks occurring at key events throughout the year. Base demand is driven by everyday purchases for personal consumption at a consumer's home or office, supplemented by gifting of floral products for events including weddings, funerals, birthdays and anniversaries. Critical peaks in demand occur around scheduled events throughout the year, with gifting of floral products increasing greatly in the days leading up to these events. For example, the Lynch Group's wholesale sales increased by approximately 2.1 times in the month of May (2019) compared to the non-event month of April in 2019. Demand for floral products is generally not correlated to fluctuations in broader retail spending and GDP growth. Industry participants must manage steady, year-round demand whilst having sufficient capacity to cater for volume spikes experienced during these key events, which can be particularly difficult in an industry where products have short vase life and domestic supply in end-markets can be limited. A summary of the key events in Australia and China throughout the year is shown in Figure 4 below.

Figure 4: Summary of key events in Australia and China

Key events	Date/time period (2021)
Australia	
Valentine's Day	14 February
Easter Period	2-5 April
Mother's Day	9 May
Christmas Day	25 December
China	
Chinese New Year	12 February
White Day	14 March
Golden Week	1-7 October
520 Day	20 May
Chinese Valentine's Day	14 August
Singles' Day	11 November

A consumer's reason for purchase will influence product choice. Gifted floral products for milestone events and special occasions will typically be more premium in nature, with a wider variety of products purchased for daily use depending on a consumer's budget and personal preferences. Floral products can be categorised into three main categories:

- **Straights** – Single flowers or bunches of the same flower commonly purchased for self-consumption or savvy customers who arrange flowers at home;
- **Arrangements/Bouquets** – Bouquets/mixed arrangements of multiple flower types directed towards the gifting market and minor self-consumption for convenience of ready-made products; and
- **Potted Plants** – Low-maintenance small potted plants for indoors commonly purchased for self-consumption for interior designing of the home or workplace, as well as gifting.

Figure 5 below provides a summary of the differences between the major floral product categories.

Figure 5: Summary of major floral product categories of the Company

	Straights	Arrangements/bouquets	Potted plants
Categories	**Single flower or in bunches of the same flower**  Rose bunch Carnation spray	**Multiple flower types with or without foliage**  Four season bouquet Deluxe arrangement	**Low-maintenance indoor potted plants**  Assorted succulents Phalaenopsis orchid
Consumer vase-life	c.7-8 days	c.7-8 days	c.5+ years
Customer proposition	Gifting and self consumption – flexibility to customise	Primarily gifting – 'complete solution' for customer	Gifting and self consumption
Complexity	Low – speed-to-market and handling key to ensure quality	High – seasonal demand, attractive recipes and scaled processing required	Low – visual presentation key

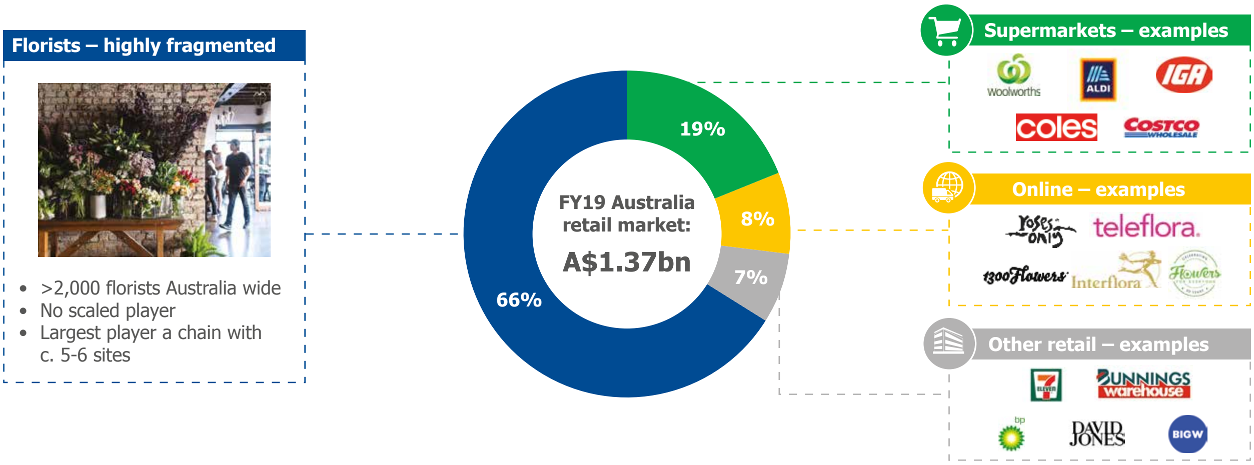
2.2 Australia's floral industry

Australia's floral industry is a large, stable market that has grown from $1.32 billion retail sales in FY2015 to $1.37 billion in FY2019 at a CAGR of 0.8%.[11] The floral market is forecast to grow at a CAGR of 1.3% out to FY2024 and reach $1.46 billion of annual retail sales by FY2024.[12]

2.2.1 Trends across Australian retail channels

The Australian floral retail market is fragmented across four main channels; florists, supermarkets, other retailers and online marketplaces. Florists are the largest retailer of floral products in Australia, accounting for 66% of total sales in FY2019.[13] Supermarkets are the second largest retailer of floral products and accounted for 19% of sales in FY2019.[14] Figure 6 below highlights the split of floral retail sales in Australia and the key participants within each channel.

Figure 6: Floral retail sales by channel (FY2019)



Note: FY2019 data presented to exclude COVID-19 related industry disruptions experienced in FY2020.

Source: Management has formed this view based on review of various independent sources.

Despite florists being the primary retail channel, Figure 7 below highlights that supermarkets continue to capture market share, with floral sales via this channel growing faster than the broader industry. Supermarkets' share of the floral retail market has grown from 16% of total retail sales in FY2015 to 19% in FY2019, with florists' market share declining from 70% to 66% over this same period.[15]

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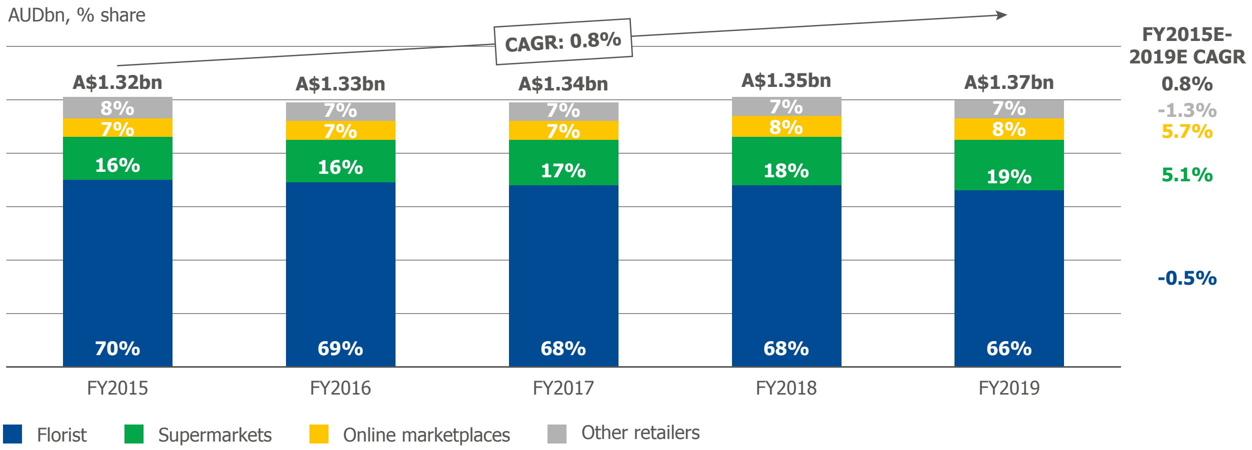
11. Management has formed this view based on review of various independent sources.
12. Ibid.
13. Ibid.
14. Ibid.
15. Ibid.

Figure 7: Historical retail floral product market by channel (FY2015-2019)



Source: Management has formed this view based on review of various independent sources.

Florists

Florists are facing a number of challenges that have caused a decline in both their market share and operating margin. Florists typically need to manage high operating costs given their labour expenses and rental expenses associated with a brick and mortar store, which translates into higher prices being charged for floral products compared to supermarkets and chained retailers. As a result, florists are less price competitive on everyday floral purchases and are switching towards supplying higher margin occasions such as weddings, funerals and corporate events which require a more personalised service and greater level of customisation. Florists generally have less control over their supply chain as they acquire the raw products from a number of wholesalers and therefore their products can be impacted by product availability, inconsistent cool-chain transport and speed to store that ultimately impacts product quality and reduces vase life of floral products sold. As a result of these factors and improving consumer perceptions of the supermarket floral offering, there has been a decrease in the number of florists in Australia and florists' market share is forecast to fall to 60% by FY2024.[16]

Supermarkets

Floral is an important product category for supermarkets. Management believe that this is because flowers impart a freshness branding to a supermarket store front and add greater credibility to the quality of other fresh produce categories. Floral products are typically positioned at store entrances, utilising latent floor space and create a positive ambience for consumers upon store entry. These products are also a key component of a supermarket's events and gifting strategy. Prices for floral products at supermarkets are generally considered to be more affordable and stable compared to other channels, which has contributed to supermarkets taking a greater share of the floral retail market over time.

Supermarkets are the fastest growing floral retail channel, and is forecast to grow at a 6.3% CAGR out to FY2024.[17] Given their convenience, quality and value advantages over other channels, supermarkets are expected to increase market share and account for 24% of annual floral retail sales in Australia by FY2024.[18] Growth will largely be driven by product innovation and consumer awareness of the value and quality of supermarket floral products. Management works collaboratively with supermarkets regularly to align their floral ranges to cater for diverse consumer tastes and evolving consumer preferences, such as introducing potted plant offerings to capture increasing share of consumer purchases for home interior design.

As quality is a key purchasing criteria, improving consumer perceptions of supermarkets' floral offerings is an important driver of the structural channel shift. A greater focus on improved quality, product innovation, merchandising and visual presentation of products supports the reduction of the perceived quality gap compared to other retail channels.

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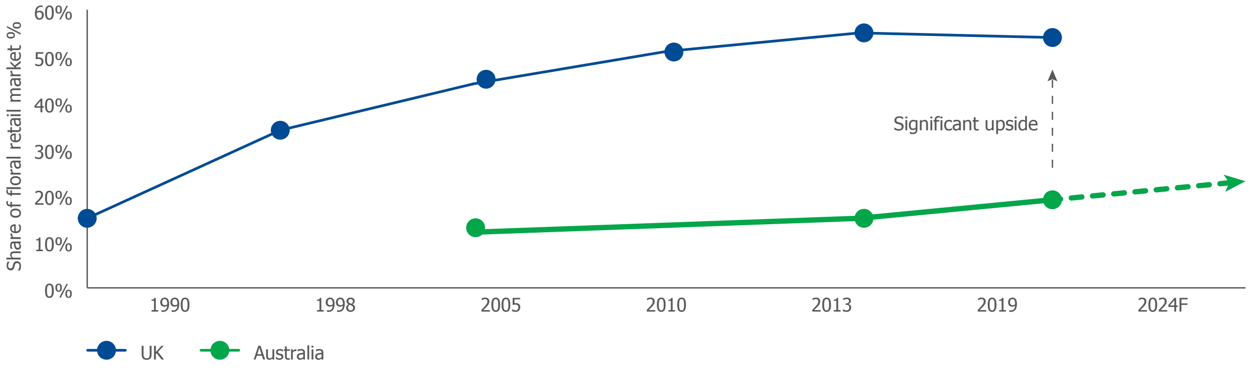
16. Management has formed this view based on review of various independent sources.
17. Ibid.
18. Ibid.

2. Industry Overview

The penetration of floral products in UK supermarkets indicates the potential for floral products in Australian supermarkets. The UK supermarket channel accounted for approximately 55% of FY2019 floral retail sales and has consistently taken market share since the 1990’s by educating consumers on product quality and improving product ranges in supermarkets.[19] Structurally, the UK is a similar market to Australia, with similar consumer preferences in both countries and supermarkets representing a large and growing share of grocery purchases. Figure 8 below highlights the difference in market share between UK and Australian supermarkets. Figure 9 below provides examples of the floral offering in UK and Australia supermarkets.

Figure 8: Share of floral retail market – Australia vs. United Kingdom



Source: Management has formed this view based on review of various independent sources.

Figure 9: Photos of floral offerings in Australia and UK supermarkets

Note: UK supermarket stores, the Lynch Group’s stores shown (in clockwise order) – Wattle Grove Coles, Wollongong Woolworths.

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[19] Management has formed this view based on review of various independent sources.

Given the specialised nature of the floral supply chain, the Lynch Group provides supermarkets with global procurement capabilities to secure floral supply, ensure effective cool-chain transport to minimise risk of wastage, adhere to biosecurity regulations and process raw flowers into consumer-ready products. As floral only makes up a small component of the 'fresh' category for supermarkets, there is likely to be limited appetite to develop in-house capabilities and manage a global, complex supply chain. Supermarkets appreciate the Lynch Group's value-add processing capabilities and merchandising expertise that assists in driving sales growth, in addition to the security of year-round, high quality floral supply in the volumes that they require. The Lynch Group is the only scaled supplier to Australian supermarkets and accounts for approximately 88% of total floral sales to the supermarket retail channel.

Other retailers

The other retail channel includes petrol and convenience stores, discount and department stores and DIY stores (such as Bunnings). This channel has retained a relatively stable share of the Australian floral market, accounting for 7% of total retail sales over the past five years.[20] These stores are increasingly focused on impulse and convenience floral and potted purchases with a focus on gifting to satisfy consumer demand. Similar to the supermarket channel, these retail stores require a national offering with year-round, reliable sourcing of floral products. The 'other retailers' channel is forecast to maintain its existing market share of 7% out to FY2024.[21]

Online marketplaces

The online marketplace floral channel is relatively small but growing, accounting for 8% of total retail sales for FY2019.[22] Advancement in technology and the trend towards online shopping has driven increased adoption, with online floral sales growing at a CAGR of 5.7% over FY2015 to FY2019.[23] Online marketplaces typically charge higher prices compared to supermarkets in order to cover their digital marketing and e-commerce expenses and the cost of delivering flowers to a customer's location of their choice. Similar to florists, online floral retailers rely on wholesalers for supply, have limited control over their supply chain and can be impacted by inconsistent cool-chain transport that ultimately reduces vase life. Fulfilment of online sales rely on a mixture of their own warehouses and the florist network to deliver customer orders. Online floral retailers will seek to partner with a scaled, reliable supplier to procure and semi-process high quality flowers at the volumes they require. The online channel is forecast to continue taking market share from florists, rising to 10% by FY2024.[24]

2.2.2 Established supply channels

Floral products for Australian retailers are sourced from domestic flower production and imported products. Domestic production represents approximately 76% of total floral supply, with these producers mostly focused on floral varieties that are suited to Australian growing conditions.[25] Potted products are predominantly grown in Australia due to Australian biosecurity laws which prohibit the import of virtually all potted products grown in soil.

Imported floral products represent the gap between total demand and domestic supply, comprising approximately 24% of total floral supply.[26] Key supply countries to Australia include China, Vietnam, Kenya, Ecuador and Colombia, who supply a number of popular floral varieties including roses, carnations and chrysanthemums. The Lynch Group also procures a number of these products from Lynch Farms in China, providing it with additional security of high quality, low-cost, year-round supply. Given Australia's strict biosecurity regulations, there are a limited number of suppliers that meet import standards and supply products to Australia. Biosecurity laws are expected to continue to tighten going forward, with the recent shift towards a permit-based system creating more obstacles for foreign growers exporting to Australia. Management believe that this enhances the importance of the Lynch Group as a supply partner to growers given its know-how on flower treatment methods, supply chain and experience in adhering to Australia's biosecurity laws.

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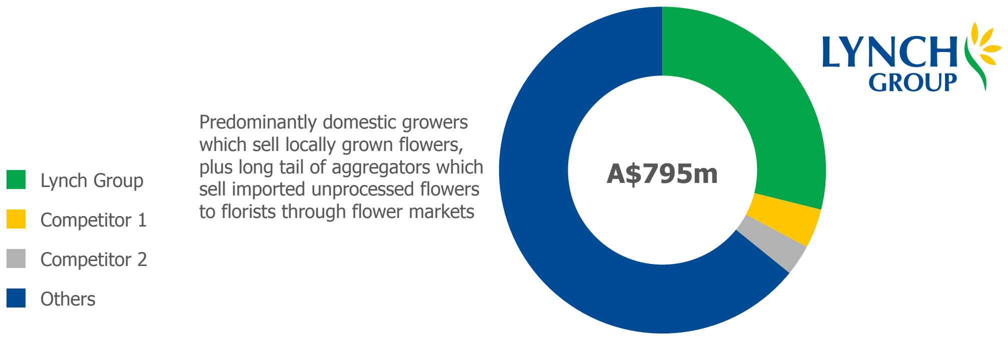
[20] Management has formed this view based on review of various independent sources.
[21] Ibid.
[22] Ibid.
[23] Ibid.
[24] Ibid.
[25] Ibid.
[26] Ibid.

2.2.3 Market participants in the wholesale floral market

The Lynch Group is the only large scale, national wholesale supplier of floral products in the highly fragmented Australian market, with an estimated 29% market share.[27] Management believe that the Lynch Group's competitors do not have a national presence and are of much smaller scale, with limited penetration into the supermarket floral channel. The Lynch Group's vertically integrated business model and scale positions it as the only supplier capable of providing a national solution for low-cost, high quality floral products on a year-round basis to Australian supermarkets.

The Lynch Group has undertaken a series of strategic acquisitions over time to consolidate its position as the market leader in Australia. In 2018, the Lynch Group acquired Pine Valley, its largest competitor in Queensland with a 10% market share of the supermarket channel. The two businesses recognised the benefits of a combination, with the acquisition strengthening the Lynch Group's market leader position and enhancing its floral offering to some of the major supermarkets in Queensland. Figure 10 below provides an overview of the Lynch Group's market leading position in the Australian wholesale floral market.

Figure 10: Australian wholesale floral market



Source: Management has formed this view based on review of various independent sources.

2.3 China's floral industry

China's fresh cut floral market is significantly larger than Australia's, having recorded $19 billion[28] in retail sales in FY2018, but remains early stage in terms of flower spend per capita compared to other developed countries, as shown in Figure 2. Floral sales have grown strongly, recording a 19% CAGR from FY2015 to FY2018.[29] Figure 11 below highlights that China's floral sales over the next five years are forecast to double and reach a market size of approximately $43 billion by FY2023.[30] Management believe there are strong growth opportunities for the Lynch Group in China given its large addressable market, with no existing vertically integrated players that can ensure high quality, stable, year-round scaled volumes of consumer-ready products.

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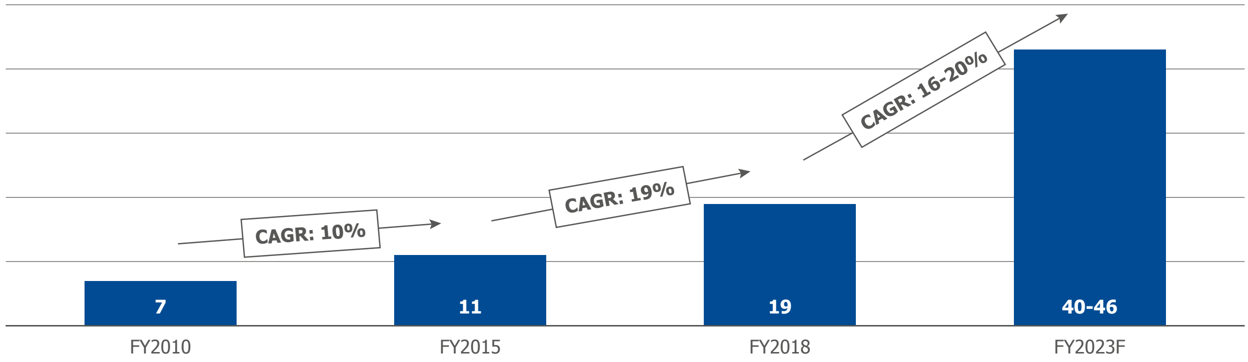
[27] Management has formed this view based on review of various independent sources.

[28] China Flower Statistics 2010: China Ministry of Agriculture (published in 2011), China Flower Statistics 2015: China Ministry of Agriculture (published in 2016), Cut Flower in China (2018), PMA (2018). Market size figures converted at AUD/RMB exchange rate of 1:5.00.

[29] Ibid.

[30] Ibid. Represents the mid-point of market size forecast ($41-47 billion). Market size figures converted at AUD/RMB exchange rate of 1:5.00.

Figure 11: China domestic fresh cut flower retail sales ($billion)



Source: China Flower Statistics 2010: China Ministry of Agriculture (published in 2011), China Flower Statistics 2015: China Ministry of Agriculture (published in 2016), Cut Flower in China (2018), PMA (2018). Note: Market size figures converted at AUD/RMB exchange rate of 1:5.00.

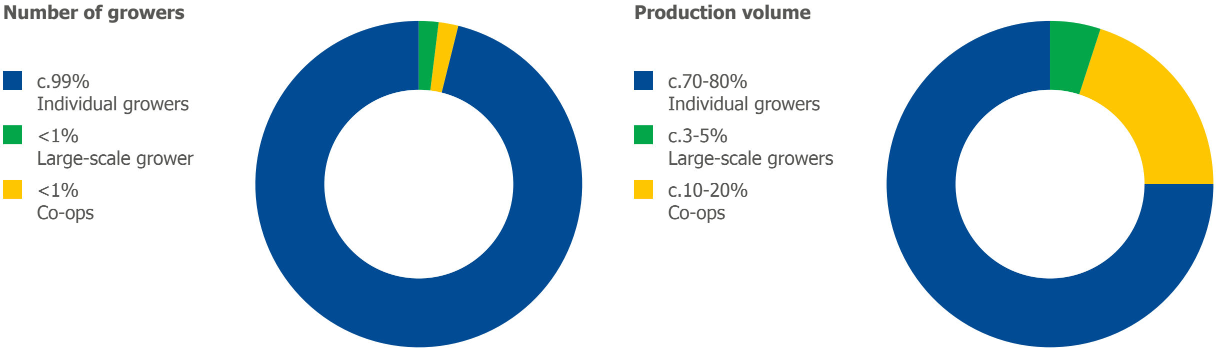
2.3.1 Early stage supply chain and supply channels

China's floral industry is at an earlier stage of development relative to other developed economies. The supply chain continues to evolve across all stages and is expected to transform significantly over the next five years, with integrated players, such as the Lynch Group, well placed to take advantage.

Local breeding activities are limited in China, with international breeders being selective in partnering with local growers due to historic issues with intellectual property infringements and payment of royalties. As a result, breeder supply of quality genetics tends to be relatively concentrated towards a few large-scale growers. Management believe that the Lynch Group is one of the few growers in China with access to quality genetics, given its strong existing relationships with leading global breeders.

China's growers predominantly service the domestic market, with the country's level of floral exports declining due to growth in domestic demand. Figure 12 below highlights that the grower market is highly fragmented with 70-80%[31] of existing supply coming from small, household growers (who make up about 99% of the number of floral growers in China). Only less than 1% of the floral growers in China are considered large-scale and they represent 3-5% of China's floral production volumes. Small growers typically have limited floriculture expertise and lower quality infrastructure, in addition to limited access to capital and quality genetics. The construction quality of greenhouses that small growers utilise is generally poor (such as plastic tunnel houses), which are less effective at managing temperature fluctuations and more exposed to agricultural risks. As a result, the majority of growers produce lower quality, less resilient floral products at lower yields, therefore providing unstable supply to wholesalers at inconsistent quality. Management believe that large scale growers including the Lynch Group have distinctive competitive advantages as they are more efficient, can produce products of higher quality and provide a scaled supply solution to customers on a more consistent basis.

Figure 12: Split of Chinese growers and production volume



Source: Management has formed this view based on review of various independent sources.

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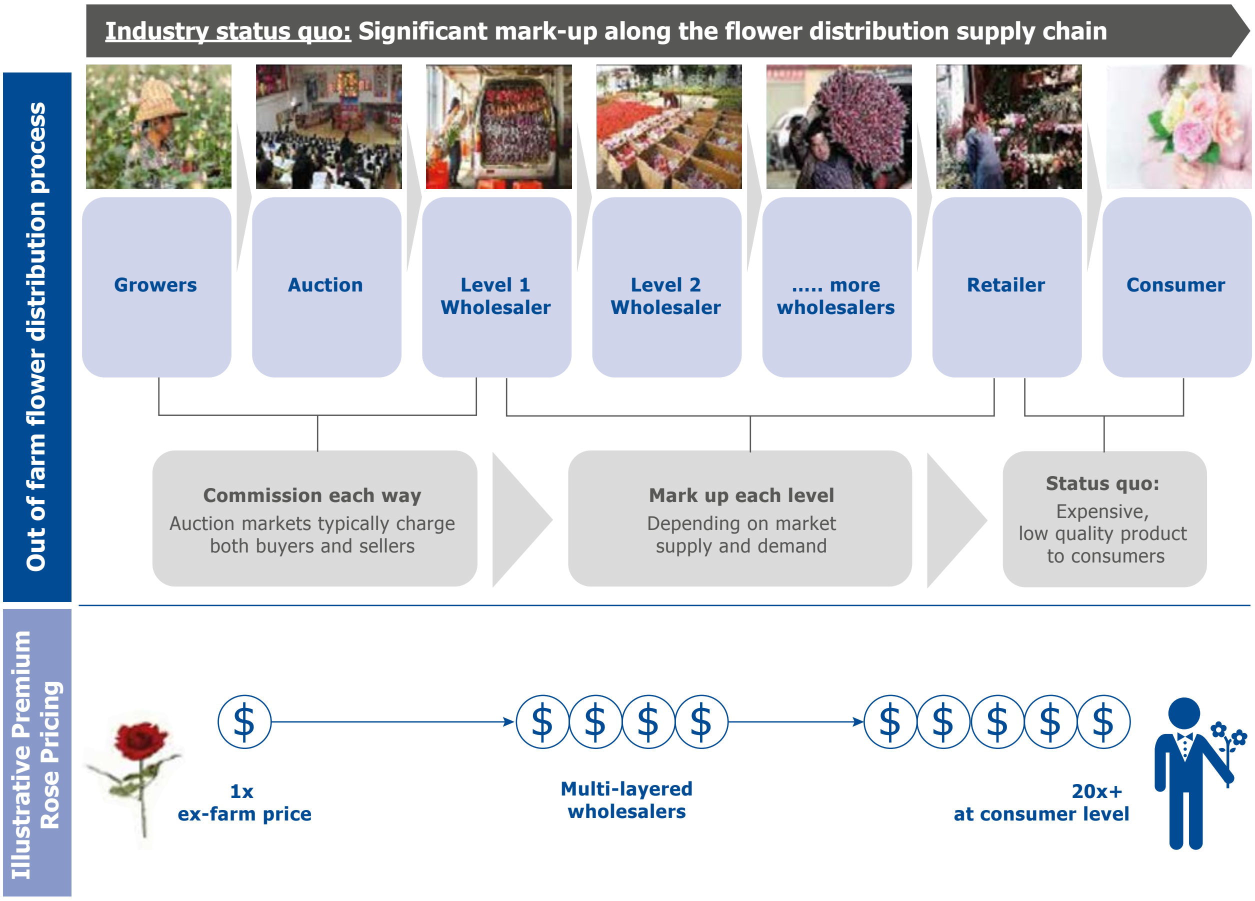
[31] Management has formed this view based on review of various independent sources.

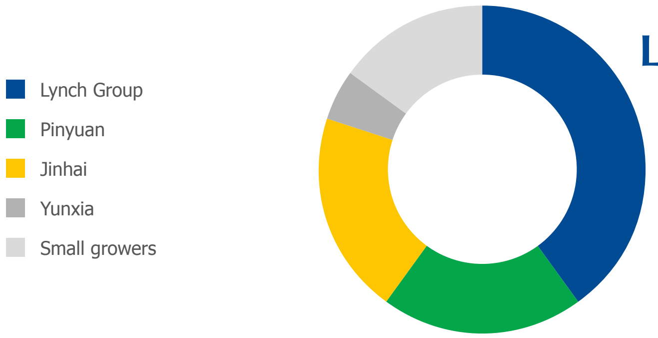
As shown in Figure 13, the Chinese market has a relatively inefficient, multi-layered wholesaler structure which results in a number of price mark-ups and longer logistical lead times. There are typically multi-tiered logistics and distribution channels to bring products from farms to consumers in cities, which are not equipped with sufficient cool-chain infrastructure and product handling expertise to transport delicate flowers. This results in high levels of wastage and lower quality products, with the commissions charged at each distribution level increasing prices for end consumers. There are emerging opportunities to remove various wholesale layers by developing a direct route to market, thereby capturing vertical margins while improving product quality.

Figure 13: Status quo distribution process for floral products in China (illustrative only)



Retail channels are fragmented in China and include online floral marketplaces, florists, supermarkets and dedicated flower markets. Roses are the most popular floral product sold by retailers and account for approximately 40% of all retail sales.[32] As shown in Figure 14, the Lynch Group is the largest premium rose grower in China, with approximately 35-40% market share.[33] Lilies, chrysanthemums, carnations and gerberas are considered to be other popular varieties in China, accounting for approximately 25%, 12%, 12% and 9% of retail sales, respectively.[34] The Lynch Group currently grows two of the top five floral varieties, roses and gerberas, and will expand its production of other varieties in the next 12 months. The majority of floral products in China are sold by florists, who obtain their supply from a range of wholesalers. This means the quality of their products can be impacted by the multiple layers of wholesalers and handling along the supply chain, resulting in poor and inconsistent quality products.

Figure 14: Key growers in China premium rose market



Source: Management has formed this view based on review of various independent sources.

Supermarkets are increasingly embracing flowers as part of their fresh product offering, with the floral category an important traffic driver for supermarkets. The majority of supermarkets employ a shop-in-shop model, whereby floral products are fully managed and operated by third parties, due largely to their lack of category expertise. Leading supermarkets are investing more in the floral category and are actively seeking partnership with suppliers that can provide them with high quality, year-round supply of flowers and in-store support including category management and merchandising. Online retailers also represent a growing portion of the floral retail market, with a number of providers offering subscription plans for flower deliveries to consumers' homes and offices. Retailers rely on growers and wholesalers like the Lynch Group for support to manage the supply chain and process raw flowers into value-added products. Significant investment in the online channel has resulted in progressive uptake in daily consumption of floral products and increased the awareness of floral products in the eyes of both consumers and retailers. A summary of the various Chinese retail channels for floral products is provided in Figure 15 below.

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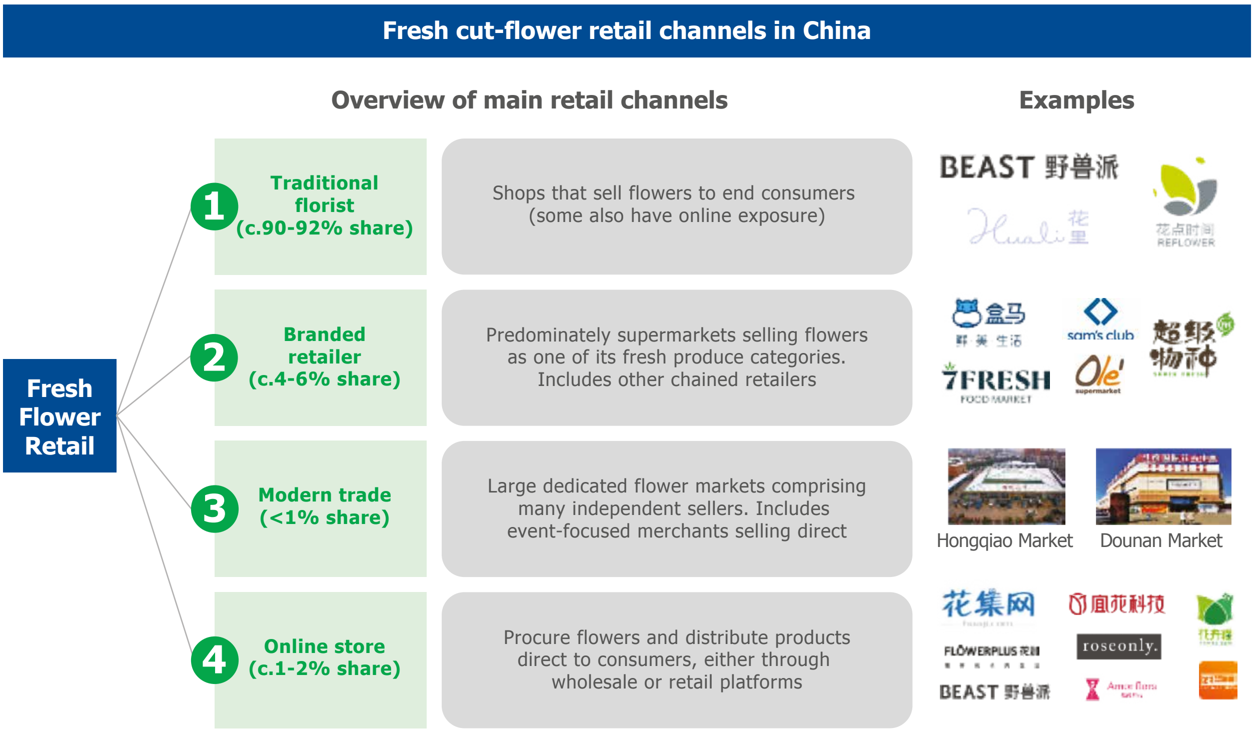
32. China Flower Statistics 2010: China Ministry of Agriculture (published in 2011), China Flower Statistics 2015: China Ministry of Agriculture (published in 2016), Cut Flower in China (2018), PMA (2018).
33. Management has formed this view based on review of various independent sources.
34. Ibid.

Currently, over 90% of flowers in China go through traditional wholesale models before reaching these retailers.[35] Traditional wholesale models are relatively inefficient and multi-tiered, with flowers distributed through a number of wholesalers prior to arriving at a retailer's store. Many of these wholesalers operate an unsophisticated supply chain and use transport methods that have ineffective cool-chain infrastructure. This contributes to a higher risk of wastage and reduced vase life for floral products. The main challenge for Chinese retailers is securing consistent supply of high quality flowers, which ultimately results in higher wastage and therefore higher prices being charged to end consumers. Over time, direct-to-retailer and direct-to-consumer wholesale models are expected to disintermediate the supply chain and take market share from traditional wholesalers. Integrated players such as the Lynch Group, with expertise across the supply chain, are well positioned to transport flowers efficiently to retailers and meet consumers' growing demand and changing preferences for floral products.

Figure 15: Overview of Chinese retail channels



Fresh cut-flower retail channels in China

Fresh Flower Retail

Overview of main retail channels		Examples
1 Traditional florist (c.90-92% share)	Shops that sell flowers to end consumers (some also have online exposure)	BEAST 野兽派 Huali 花里 花点时间 REFLOWER
2 Branded retailer (c.4-6% share)	Predominately supermarkets selling flowers as one of its fresh produce categories. Includes other chained retailers	盒马 鲜美生活 sam's club 超级物种 7FRESH FOOD MARKET Ole' supermarket
3 Modern trade (<1% share)	Large dedicated flower markets comprising many independent sellers. Includes event-focused merchants selling direct	Hongqiao Market Dounan Market
4 Online store (c.1-2% share)	Procure flowers and distribute products direct to consumers, either through wholesale or retail platforms	花集网 FLOWERPLUS 花加 BEAST 野兽派 roseonly. Amor flora

2.3.2 Strong growth prospects

The Chinese floral market is forecast to continue growing at a CAGR of 16-20% between FY2018 to FY2023.[36] There are a number of positive long-term drivers that will contribute to this growth, including increasing consumer wealth, changing floral demand and consumption patterns, and the trend towards supermarkets and online channels as key retail channels.

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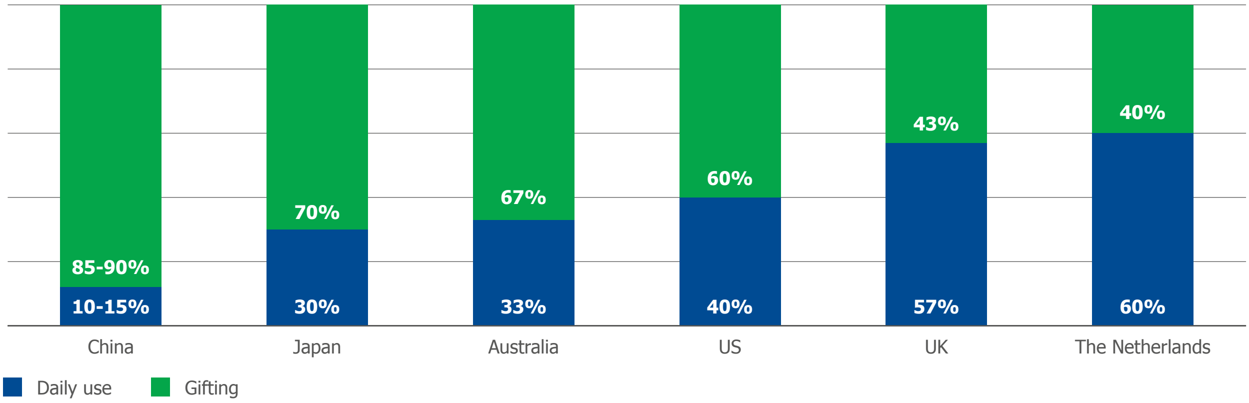
35. Management has formed this view based on review of various independent sources.
36. China Flower Statistics 2010: China Ministry of Agriculture (published in 2011), China Flower Statistics 2015: China Ministry of Agriculture (published in 2016), Cut Flower in China (2018), PMA (2018).

Volume growth drivers

Rising wealth among Chinese consumers is expected to increase spending on floral products. An increasing number of Chinese households are transitioning to 'middle class' status, with households that have disposable income greater than $32,835[37] per annum forecast to increase from 89 million[38] in FY2019 to 149 million in FY2025.

Growth is expected across both gifting and daily use purchases. The Chinese gifting market is experiencing high growth as floral consumption expands from gifting around a small set of key event days to also include general day-to-day gifting. There is also upside in the daily use market, which is less developed compared to other developed flower markets as shown in Figure 16 below. Chinese consumers are becoming increasingly aware of floral products for self-consumption purposes, with this segment forecast to achieve above market growth as the higher income 'middle class' consumer increasingly views flowers as part of daily life. COVID-19 has accelerated the increase in self-consumption among Chinese consumers as they spend more time at home and increasingly appreciate the value of having fresh flowers at home.

Figure 16: Share of flower sales by purchase occasion



Except for China and Australia where 2019 is estimated, figures for other countries are for 2015.

Source: Management has formed this view based on review of various independent sources.

There is also an increasing awareness and appreciation of the floral category by key retail channels including supermarkets and online marketplace platforms, who recognise the growing importance of flowers in Chinese consumers' daily spending habits. Retailers are also seeking to capture increasing floral demand for non-traditional events including Singles' Day and various festival days, with floral products becoming more popular as gifting options for these events. Increased day-to-day consumption is also stimulating growth in sales of floral products outside of festival events.

Price growth drivers

An increasing focus on product quality from consumers is driving a trend towards premium floral products. Historically, Chinese floral sales have been focused on mass-market products, typically sourced domestically and characterised as lower quality, more common varieties. As the Chinese middle class and their focus on product quality grows, there is an increasing preference for unique and high quality floral varieties, with these premium products typically attracting higher prices compared to mass-market varieties. Key floral products are also becoming increasingly premium alongside rising consumer wealth and sophistication in relation to flowers. Only a small number of growers and importers have the requisite skills, genetics and supply chain capabilities to service the premium Chinese flower market. Management believe that the Lynch Group is well placed to take advantage of these trends.

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37. Converted to Australian dollars using exchange rate of 5.025:1.
38. China National Bureau of Statistics (China Statistical Yearbook).

3.

Company Overview

3. Company Overview

3.1 Introduction to the Lynch Group

The Lynch Group is a vertically integrated value-added wholesaler and grower of flowers and potted plants into the Australian and Chinese floral markets. The Lynch Group has strong positions in both markets; being the largest wholesaler of floral and potted products to Australian supermarkets and a leading grower of premium flowers with an emerging wholesale platform in China. The Lynch Group has been in China for more than 16 years and considers itself a high quality corporate citizen. In 2019, it executed a transformative acquisition of a 20% stake in VDB Asia (the holding company of VDB Group), a high quality business which has been in China for over 10 years and predominantly produces premium roses on its two farms for the China domestic market. Even before the VDB Acquisition, the Lynch Group and the VDB Group have had a long-standing relationship in China (since the VDB Group's entry into China) and recognise the benefits of a combination to capitalise on the opportunities in China. Following completion of the VDB Acquisition, the Lynch Group will own 100% of the VDB Group, which further strengthens its growth platform in China.

Management believes the Lynch Group's vertically integrated business model, strong relationships with global flower breeders and growers, know-how on the floral end-to-end supply chain and category leadership in product innovation and merchandising, positions the Lynch Group as an ideal supplier and partner to floral retailers.

As shown in Figure 17 below, the Lynch Group is predominantly a grower and wholesaler of flowers and provides consumer-ready products to retailers across the three main consumer product categories: straights, arrangements/bouquets, and potted plants.

Figure 17: The Lynch Group's core consumer products

	Straights 	**Arrangements/bouquets** 	**Potted plants** 
Consumer vase life	c.7 - 8 days	c.7 - 8 days	c.5+ years
Customer proposition	Gifting and self consumption – flexibility to customise	Primarily gifting – 'complete solution' for customer	Gifting and self consumption
Complexity	Low – speed-to-market and handling key to ensure quality	High – seasonal demand & scaled processing required	Low – visual presentation key

The specific product features of flowers, including a short vase life, delicate handling requirements and complex supply chain, have broad implications for the Lynch Group's business model, competitive position and growth strategy. Throughout its more than 100 year history, the Lynch Group has transitioned from a floral grower and wholesaler into a scaled, vertically integrated supplier in the global floral market, with core competencies across the floral supply chain from breeding to retailing. With over 30 years of retailing and merchandising experience with leading Australian retailers, the Lynch Group has strong insight into consumer trends and sell-through performance, providing meaningful value-add at the retailing end of the supply chain. As shown in Figure 18 below, the Lynch Group has a presence in and connectivity between both the Australian and Chinese markets.

Figure 18: The Lynch Group's presence in Australian and Chinese floral markets

3.1.1 Australia: #1 partner to supermarkets in floral category

The Lynch Group is the largest vertically integrated scaled supplier of consumer-ready floral products to supermarkets, supplying 88% of total floral products in this retail channel. Management believes that the Lynch Group's ability to provide supermarkets with stable, year-round supply of nationally standardised consumer-ready floral products, plus its ability to satisfy peak demand during key events, positions it as an ideal partner to Australia's largest supermarkets. The Lynch Group is the only player of national scale and is able to navigate the complex floral supply chain, including strict and evolving biosecurity regulations, whilst supplying high quality floral products in large quantities that supermarkets require. The Lynch Group's category management and merchandising expertise helps to solidify its leading market position in the supermarket retail channel. The Lynch Group is the major floral supplier to both Coles and Woolworths. Key competitive advantages of the Lynch Group's Australian business model are summarised below.

- **National logistics footprint with cool-chain expertise:** Expertise in supply chain infrastructure to efficiently transport floral products to supermarkets in a cool-chain environment, which preserves the product quality of flowers and extends vase life. The Lynch Group's national logistics footprint currently services over 2,000 retail stores nationally with the ability to satisfy base demand as well as increased demand associated with peak events while maintaining cool-chain integrity.
- **In-house biosecurity expertise:** Australia has a strict biosecurity regime. The Lynch Group employs industry-leading in-house biosecurity experts that work closely with the government, industry bodies and global growers to adhere to strict biosecurity laws and deliver high quality products to customers reliably and quickly.
- **Diversified procurement base:** Global, diversified procurement network helps secure reliable year-round supply of high quality floral products. The Lynch Group's product procurement strategy spans across key floral growing regions both locally and globally, with flowers sourced from leading third-party growers and from Lynch Farms in Australia and China. This diversified procurement strategy minimises agricultural risk and provides the Lynch Group with stable, year-round and high quality supply.

- **Expertise and know-how associated with large-scale production of consumer-ready products:** Achieving large-scale production of consumer-ready floral products, whilst maintaining quality, requires expertise in floral handling and advanced processing capabilities. Management believes the Lynch Group's know-how around processing and merchandising expertise positions the Lynch Group as an ideal partner to provide scaled, year-round supply of quality floral products.
- **Operational flexibility to align supply with demand for products:** The Lynch Group's vertically integrated business model, diversified procurement base and product range flexibility enables it to ensure alignment of supply with potential demand variations across the year. This operational flexibility proved particularly useful in managing the Business and protecting margins through COVID-19.
- **Scale advantages which reinforce barriers to entry:** The Lynch Group's large scale and vertically integrated business model creates meaningful barriers to entry to other competitors. Other wholesalers are unable to easily replicate the Lynch Group's grower relationships, diversified procurement strategy, biosecurity expertise, floral end-to-end cool-chain management, product innovation knowledge and in-house merchandising capability required to provide stable, year-round supply to customers. Management believes the Lynch Group's ability to provide flowers on a large scale to supermarkets, catering for base and peak demand cycles, positions the Lynch Group as the market leader and an ideal long-term partner for these customers.

3.1.2 China: #1 grower of premium flowers with market leading, established platform

The Lynch Group is the leading grower of premium cut flowers in China. As a large, established and scalable business in China, it has opportunities to capture material vertical margins as direct routes to market are established, and can leverage the Lynch Group's Australian expertise and know-how. Lynch HK's acquisition of the remaining 80% of the shares in VDB Asia which it does not own under the VDB Acquisition Agreement will strengthen its growth platform in China and accelerate its transition towards a vertically integrated floral provider. Key competitive advantages of the Lynch Group's business model in China, post completion of the VDB Acquisition, are summarised below.

- **On-ground presence since 2004:** In market for more than 16 years, with four established Lynch Farms in China's key floral growing region, the Yunnan Province. The Lynch Group is the leading grower of premium cut flowers in China and has a 35-40%[39] share in the premium rose category, China's most popular flower variety.
- **Strong domestic relationships:** The Lynch Group has strong relationships with local Chinese government authorities and communities through its experienced, in-region team. The Lynch Group considers itself as a high quality corporate citizen, with strong relationships at various levels of government which are required for developing processing facilities and facilitating farm expansions. The Lynch Group is also embedded within local communities and provides local employment opportunities, as well as training programs for farmers in flower growing regions.
- **Breeder relationships and advanced growing techniques:** Global breeders are selective on who they supply quality genetics to in China. The Lynch Group's established relationships with global breeders facilitates access to premium genetics that are not normally available to other growers. Combined with high quality infrastructure at Lynch Farms and favourable growing conditions, the Lynch Group reliably produces large quantities of high quality floral products for Australian and Chinese retail markets.
- **Sustainable cost and yield advantages with a proven track record:** Modern greenhouse infrastructure and advanced expertise in modern floriculture contributes to the Lynch Farms enjoying higher yields compared to the local growers. As a result, the Lynch Group can produce greater quantities of flowers in shorter timeframes and at sustainably lower costs.
- **Ability to leverage Australian know-how:** Expertise developed over 100 years of operation in Australia is progressively being transferred to China. The Lynch Group in China has a sustainable competitive advantage compared to local competitors through access to market-leading product innovation, global procurement relationships, transport and processing know-how and innovative merchandising capabilities.
- **Year-round, low-cost, high quality cool-chain transport:** Full control of cool-chain through partnership with a third-party provider ensures end-to-end product integrity, enhancing vase life and quality for customers. The Lynch Group's vertically integrated model removes layers of wholesale agents between farms and the end customer, further improving product quality through shorter transport times and reducing the level of mark-up on products.

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[39] Management has formed this view based on review of various independent sources.

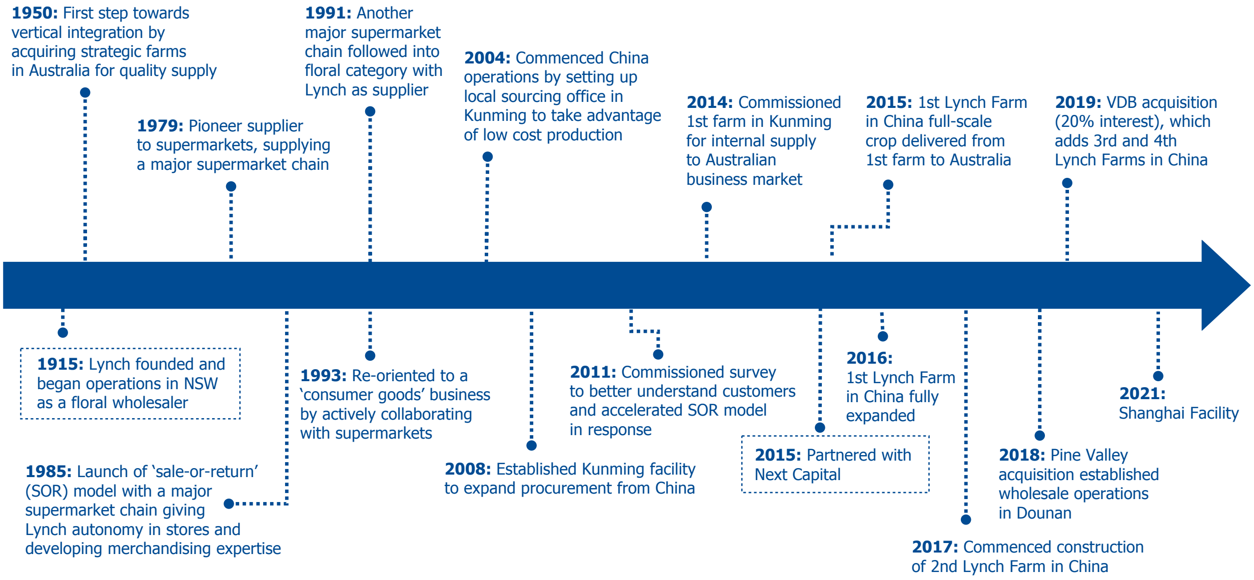
- **Established sales channels:** The Lynch Group has a well-established in-house sales platform that has been operating for a number of years. This provides the Lynch Group with a competitive advantage to local growers, flower markets, auction platforms and other local wholesale channels, with the Lynch Group able to leverage its own sales distribution channels and provide a reasonable direct-to-market solution for retailers and end consumers for stable volumes and pricing.
- **Meaningful growth upside:** Significant land secured in the Yunnan Province provides the Lynch Group with the opportunity to expand production volumes over the medium term. Combined with its processing facility strategy and the opportunity to capture material vertical margins by continuing to establish direct routes to markets, the Lynch Group is well positioned to continue on its historical growth trajectory in China.

3.2 Company history

The Lynch Group was founded in Australia in 1915 by the Lynch Family and began operations as a floral grower and wholesaler. Under the Lynch Family's ownership, the Lynch Group expanded into a vertically integrated wholesaler which pioneered supply to the major supermarkets and expanded into the Chinese market. In 2015, Next Capital acquired a majority interest in the Lynch Group to accelerate its growth trajectory.

Under Next Capital's ownership, the Lynch Group has continued to execute on its growth strategy which included the acquisition of a 20% interest in the VDB Group (a premium rose grower in China with two farms focused on production for the Chinese domestic market). Lynch HK has entered into the VDB Acquisition Agreement to acquire the remaining 80% of the shares in VDB Asia which it does not own prior to Completion. A summary of the VDB Acquisition Agreement is set out in Section 10.4. Today, the Lynch Group is a fully vertically integrated leader in the Australian floral category and Management believes this position it to be an ideal partner to supermarkets. In China, the Lynch Group is progressing on its strategy of replicating its Australian vertically integrated model. Figure 19 below details the key company milestones in the Lynch Group's operating history across Australia and China.

Figure 19: The Lynch Group's operating history



3.3 The Lynch Group's business divisions

The Lynch Group operates two business divisions: Australia and China.

3.3.1 Australia

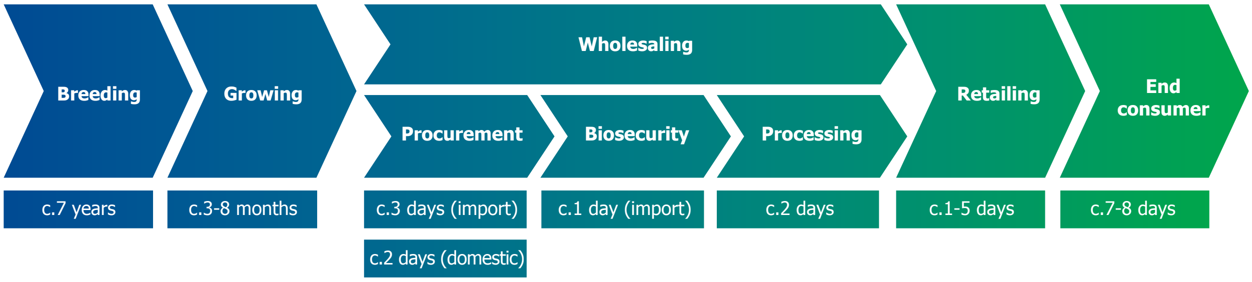
The Australian operations are divided into three components: Wholesale, Markets, and Farms.

Australia: Wholesale

The Wholesale division consists predominantly of the Lynch Group providing consumer-ready floral products to scaled retailers.

Given the short vase life of floral products, depending on variety, the Lynch Group typically has 4-6 days from flower harvest to navigate delivery of products to retailers in order to ensure at least one week of vase life for consumers. With floral products sourced from local growers and imports, it is important that flowers are stored at consistent temperatures and transported efficiently into Australia to maximise vase life. Figure 20 provides an illustrative overview of the steps involved for the Lynch Group to transport floral products into Australia.

Figure 20: Illustrative life cycle of transporting flowers into Australia (air-freight example)



Note: Illustrative life cycle only. Actual time may be influenced by procurement and biosecurity factors which are sometimes out of the Lynch Group's control.

The Lynch Group's floral procurement strategy

The Lynch Group's operations in Australia has a diversified and global procurement strategy, leveraging Lynch Farms as well as a broad network of growers in Australia and globally, to ensure sustainable year-round, low-cost supply of high quality products. As shown in Figure 21 below, approximately 18%[40] of the Lynch Group's Australian procurement comes from Lynch Farms in Australia and China, with the remainder sourced from third-party grower partners in Australia and key floral growing regions offshore. Approximately 54%[41] of floral products are procured on behalf of customers from third-party Australian growers under long-term supply commitments, highlighting the importance of the Lynch Group to the broader Australian floral supply chain. The Lynch Group's operations in Australia typically imports floral varieties to satisfy peaks in demand associated with events or to procure specific breeds that are not currently grown in Australia. The geographic diversification across growing regions helps to offset seasonal impacts and mitigates exposure to agricultural risks. Figure 22 below highlights the Lynch Group's geographic sourcing profile.

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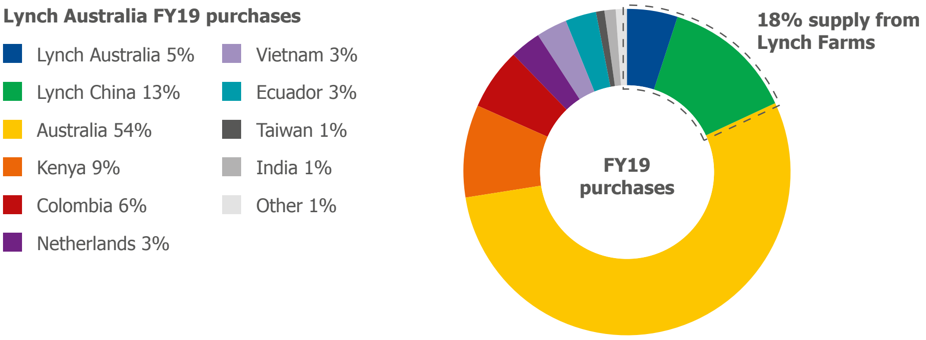
[40] Based on FY19 purchases. FY20 purchases were influenced by COVID-19 impacts and differed materially to historical periods.

[41] Based on FY19 purchases. FY20 purchases were influenced by COVID-19 impacts and differed materially to historical periods.

Figure 21: The Lynch Group's Australian supplier breakdown

Diversified geographic grower relationships helps to ensure Lynch's ability to mitigate unexpected events



Largest single supplier is Lynch China (13%)

Local buying offices in China and Colombia

Typically 4-5 key suppliers within each country

Figure 22: Top import countries by product

Lynch secures floral products from a range of countries and ensures it can source key varieties from multiple geographies

	 **Roses**	 **Spray roses**	 **Carnation**	 **Gypsophila**	 **Chrysanthemum**	 **Lisianthus**
China	✓	✓	✓	✓	▨	✓
Kenya	✓	✓	▨	✓	▨	▨
Colombia	✓	✓	✓	▨	✓	▨
Vietnam	▨	▨	✓	▨	✓	✓
Ecuador	✓	▨	▨	▨	▨	▨

The Lynch Farms in Australia, and its long-term strategic partnerships with growers, have strategic importance to the broader product range. Through these farms, the Lynch Group is able to access and secure floral supply, as well as potted plants (which typically cannot be imported in soil into Australia). Floral products grown at Lynch Farms include gerberas for domestic consumption, native wildflowers for domestic and export consumption, and potted products including orchids, herbs and foliage. Additional information on the Lynch Farms in Australia is shown further below.

Lynch Farms in China are an important part of the Lynch Group's procurement strategy, providing it with advantages over competitors. The relative proximity of China to Australia assists with the speed to market from reduced shipping times compared to other regions. The favourable growing conditions at its Lynch Farms in China helps to provide the Lynch Group's Australian business with secure, year-round supply of high quality products. In addition, lower per stem production costs at Lynch Farms in China, compared to imported supply, enhance its ability to deliver high quality flowers at more competitive prices to Australian retailers compared to competitors. The Lynch Group is also able to grow new floral varieties on its Lynch Farms, delivering first-to-market competitive advantages. Additional information on Lynch Farms in China is shown further below.

Collaborative relationships with global and local grower partners play an important role in the Lynch Group's sourcing strategy. The Lynch Group holds direct relationships with a diversified base of growers built over 40 years, through which the Lynch Group predominantly relies on for contracted volumes. The Lynch Group is often the largest customer of these growers, providing them with year-round demand and a stable pricing framework. As a result, the Lynch Group is able to influence the varieties planted and the timing of growers' harvest to align with consumer trends and extend vase life. The Lynch Group also works alongside these growers to provide them with knowledge on treatment processes to comply with Australia's strict biosecurity regulations.

The Lynch Group has firm contractual procurement arrangements in place for the majority of supply for its key floral varieties. These procurement arrangements are typically locked-in up to 18 months prior to delivery, providing the Lynch Group with security of supply (volume) and growers with a clear line of sight to future revenue streams. The Lynch Group retains procurement flexibility by accessing the seasonal market for the remaining demand of its floral requirements. This strategy allows the Lynch Group to take advantage of value-enhancing procurement opportunities in the spot market, such as seasonal product flushes.

Biosecurity

As noted in Section 2.1.1, fresh product imports to Australia are subject to strict regulations and processes due to Australia's geographical isolation, the importance of its agriculture, and the sensitivity of its flora and fauna. Figure 23 below highlights the regulatory framework and biosecurity process that importers and exporters must adhere to before entering the country.

Figure 23: Biosecurity process

Export preparation	Pre-export inspections	Import biosecurity inspection	Decision
• Fumigation – chemically treating flowers to remove pests • Devitalisation – chemically treating flowers to prevent propagation • Import permit if required	• Exporting country inspects flowers to determine if they are free of live insects, disease, weed seeds and other contaminants • Certification against Australia's import regulations	• Biosecurity officer undertakes further document verification, initial inspection & lab examination • Examination in lab if any high-risk materials found	• Flowers deemed not a biosecurity risk are released • Addressable risks (non-compliant) are fumigated (causing up to 24-hour delay) • Non-addressable risks are destroyed or rejected

Source: Importing fresh cut flowers and foliage for commercial use – Department of Agriculture and Water Resources (2021).

Being able to successfully and efficiently adhere to biosecurity regulations allows the Lynch Group to minimise stock losses and reduce transport times to retail shelves, thus extending the vase life of floral products. The Lynch Group employs a dedicated biosecurity team, including technical specialists who have a thorough understanding of rules and regulations, including a Chief Scientist who is regarded as a specialist technical leader in the industry. The Lynch Group's in-house Chief Scientist frequently engages and works with National Plant Protection Organisations (NPPOs) in foreign countries to ensure local policy and regulatory settings comply with Australia's biosecurity rules. This team also develops growing protocols and fumigation treatments for pre-export procedures and works with foreign growers to assist them in complying with all requirements. The Lynch Group has also implemented a number of measures on products grown at its Lynch Farms in China to minimise the risk of non-compliance upon entry into Australia. This includes ongoing, automated monitoring of flowers on its Lynch Farms in China and a robust multi-stage inspection and fumigation process that is undertaken prior to products being dispatched for Australia.

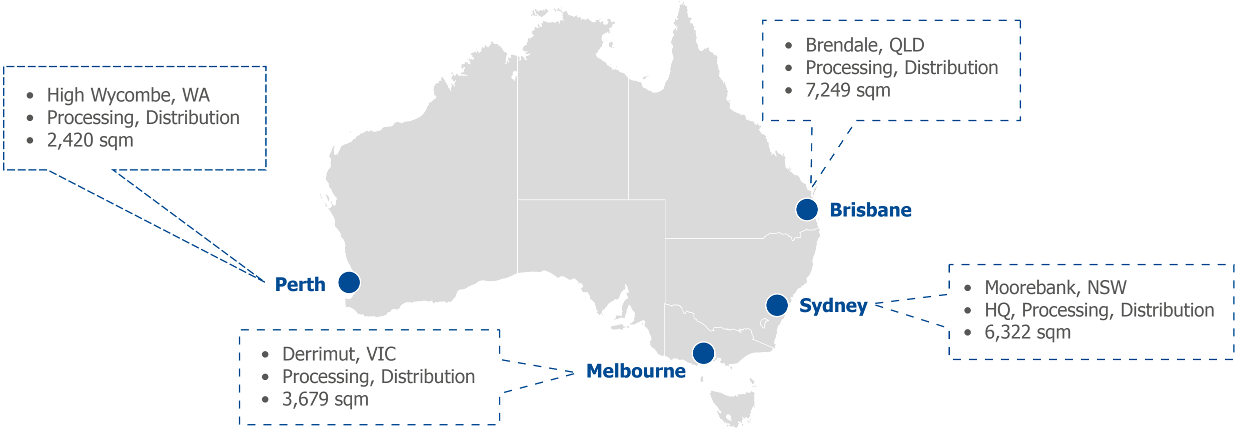
The Lynch Group's focus on biosecurity expertise has led to its rejection rate trending downwards over time. The Lynch Group recognises the importance of complying with biosecurity rules and continues to reduce non-compliance rates by actively working with regulatory bodies to understand and work with regulatory changes.

Transport and processing

Floral products are processed in one of the Lynch Group's four processing facilities across Australia, in total comprising 20,000sqm of processing and warehousing facilities. The Lynch Group has a dedicated products team which develop the recipes to process raw flowers into consumer-ready products, which ensures that it creates products that are aligned with consumers' evolving preferences.

Once processed, products are predominantly distributed across the nation using the Lynch Group's long-term third-party logistics partner of over 25 years. The Lynch Group's main logistics partner has a national presence and has close to 90 refrigerated trucks in its fleet. Since 2016, the Lynch Group has engaged an additional logistics provider in Western Australia, which is serviced by 10 refrigerated trucks. Floral products are delivered to the Lynch Group's customer distribution centres or directly to retailer stores, with close to 100 deliveries nationwide per day, on average, during a non-event week. Figure 24 below provides an overview of the Lynch Group's processing facilities in Australia.

Figure 24: The Lynch Group's processing facilities

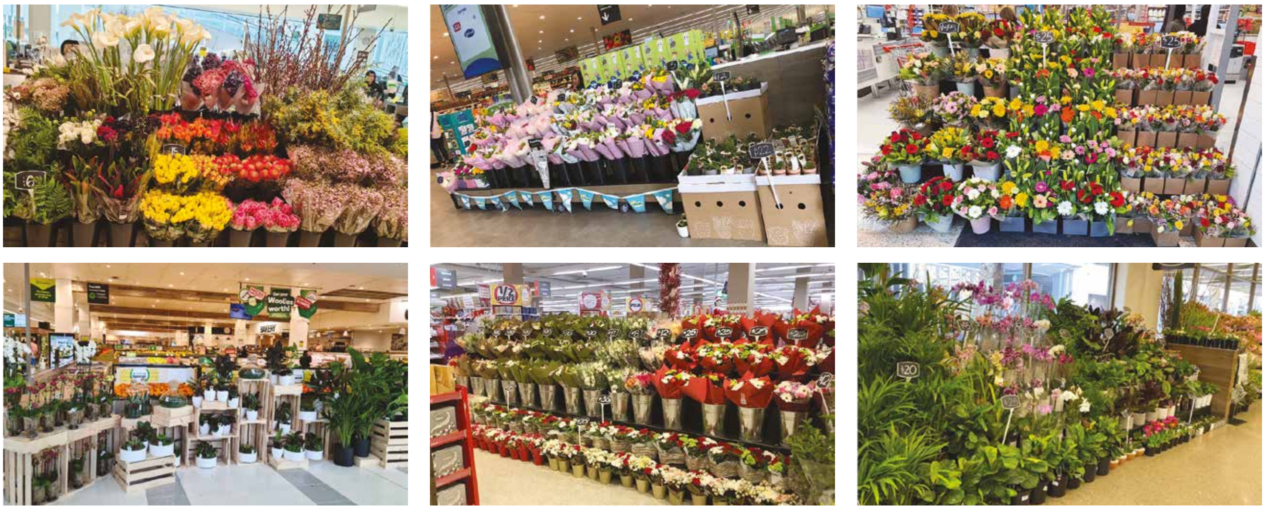


Retailing

The Lynch Group provides wholesale floral and potted products to a number of retail channels in Australia including supermarkets, chained retail, online marketplaces and florists. The Lynch Group predominantly provides wholesale floral products to the largest Australian supermarkets which includes customers such as Coles, Woolworths, Aldi, Costco and IGA. The Lynch Group's customers in the chained retail segment include Big W, Bunnings, BP petrol stations and David Jones. The Lynch Group also services a diverse range of other customers including florists, other wholesalers and online marketplace floral players.

The Lynch Group has been supplying flowers to supermarkets for decades, providing them with year-round supply of high quality products in the quantities and varieties they require. Supermarkets will typically stock a variety of 'straight' floral products for consumers' everyday gifting and self-consumption needs, in addition to seasonal arrangements and bouquet product lines to service demand for self-consumption, gifting occasions and special events. Potted plant varieties are also becoming an important product for supermarkets, providing them with direct entry into the gifting potted market and allowing them to compete against the DIY and other specialised potted channels. Potted varieties sold in supermarkets include orchids, foliage, succulents, potted colour and potted herbs. These products offer longer vase life compared to traditional cut flower products and enable higher display stand utilisation. Examples of floral and potted product displays in select supermarket stores are shown in Figure 25.

Figure 25: Examples of floral and potted product displays in select supermarket stores



Note: The Lynch Group stores shown (in clockwise order) – Double Bay Woolworths, Kellyville North Woolworths, Casula Coles, Double Bay Woolworths, Carindale Coles, Neutral Bay Woolworths.

The Lynch Group has two distinct store models for the supermarkets it supplies – 'sale-or-return' (**SOR**) and Core. The SOR model gives the Lynch Group greater flexibility on volume and range and reduces risks for supermarkets as the Lynch Group takes responsibility for waste that occurs when products are not sold. This channel provides the Lynch Group with the opportunity to optimise the product weight and mix, supported by a higher investment (i.e. store visit frequency) in merchandising. Figure 26 below provides a comparison of Core and SOR stores.

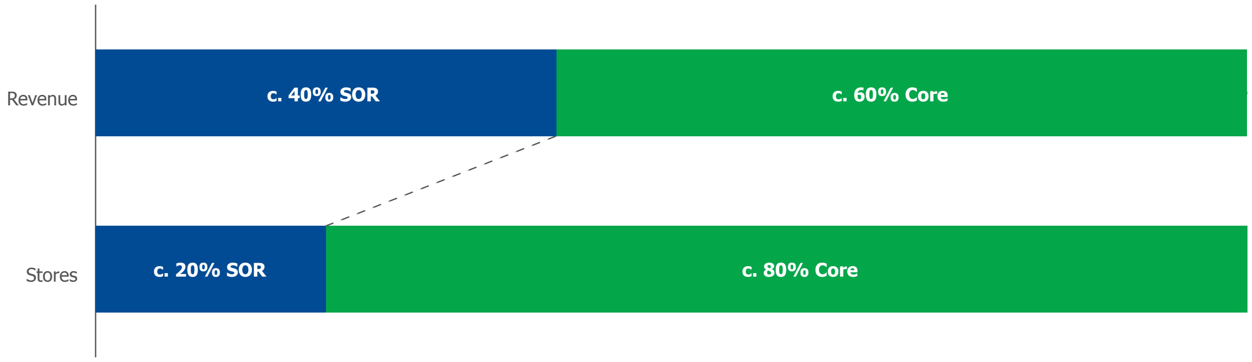
Figure 26: Comparison of Core and SOR stores

	SOR	Core
Wastage/credits	• Lynch takes responsibility for wastage, operating under a different pricing model to core stores	• Supermarkets take responsibility for wastage
Product range	• Lynch has flexibility on product specification • Flexibility on every day product lines and 'over and above' opportunities	• Product range review is collaborative between Lynch and the customer • Strong collaboration and bilateral relationship
Delivery	• Lynch delivers directly to stores	• Lynch typically delivers to customers' distribution centres

Supermarkets place a high value on the Lynch Group's category management expertise and merchandising support. This support service includes an in-house innovation team focusing on product design for mass-market customers and approximately 170 in-house merchandisers that support displays at retail stores. Through this offering, the Lynch Group has established itself as an integrated and valued partner to supermarkets over the past 30 years. The Lynch Group operates a proprietary sales order system to improve customer sell-through by aligning orders with customer buying patterns. The Lynch Group holds multiple touchpoints with its customers across all levels and works collaboratively with its clients to drive category initiatives, including event planning, training sessions, new product ranges and refining the product mix.

Core stores focus more on an everyday product offering whilst taking into account specific store demographics; seeking to provide customers with a consistent, high quality value proposition. In comparison, SOR stores are typically larger format stores that build on the Core offering with the addition of unique seasonal lines and a larger product range. As shown in Figure 27 below, average revenue at SOR supermarket stores are significantly higher than Core stores.

Figure 27: The Lynch Group's Australian supermarket revenue split by SOR and Core



The Lynch Group also has a strategic presence as a wholesaler across other emerging floral retail channels, including chained retail. The Lynch Group's chained retail customers include Big W, Bunnings, BP petrol stations and David Jones. The Lynch Group leverages its scale and expertise in servicing supermarkets to meet the requirements of these national retail chains. Similar to supermarkets, these national chains are seeking the secure, year-round supply of finished floral products and a partner with national distribution capabilities.

Operating throughout COVID-19

Management implemented a number of initiatives to manage through COVID-19. Labour spend and key cost inputs were proactively reduced from the early stages of COVID-19 to protect operating margins. The Lynch Group's vertically integrated business model, diversified procurement base and product ranging flexibility enabled the Lynch Group to quickly align its supply with changes in demand during this uncertain period. This enabled the Lynch Group to minimise wastage, protect margins, switch from air to sea freight to maintain import supply, re-engineer product ranges to align to the supply mix between local and import products and mitigate materially reduced supply of import products by air freight into Australia. Despite strict lockdowns in certain capital cities, the Lynch Group's national presence of processing facilities also provided flexibility to divert a greater level of floral processing to less-impacted centres (such as from Victoria to NSW).

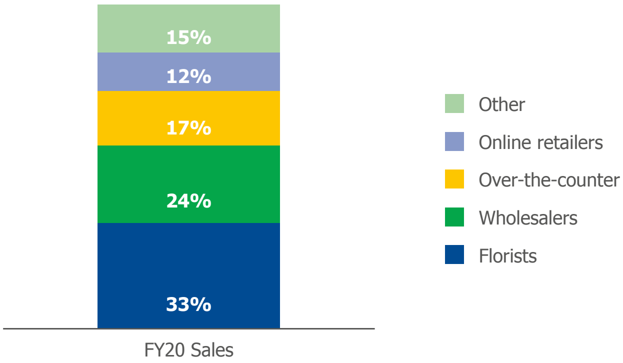
From a procurement perspective, Management was able to increase its domestic floral supply sources to fulfil customer orders. Additional product was sourced within Australia during April and May 2020 to offset the lack of import availability. To navigate reduced air freight availability for imported floral products, the Lynch Group introduced sea freight transport and utilised chartered flights for the Mother's Day event period. Management see further opportunities to implement greater usage of sea freight in its offshore procurement strategy going forward.

Australia: Markets

The Lynch Group's Markets business services online marketplaces, independent, and florist retail markets through its warehouse facilities in Sydney, Canberra and Newcastle. Through its FlowerHQ brand, the Lynch Group typically sells semi-processed, non-value-added floral products at these locations. The Lynch Group operates a hub and spoke model, where the hub, located in Sydney at the Flemington Markets, consolidates procurement, processing and packaging between the spokes, located in Newcastle and Canberra. This offers a compelling value proposition for regional florists due to the substantial time saving benefits in both logistics co-ordination and transportation of product. The Markets business leverages the Lynch Group's procurement capabilities to supply a broad range of high quality products to its customers.

As shown in Figure 28 below, the Lynch Group sells to a diverse range of customers including florists, other wholesalers and online marketplace floral players.

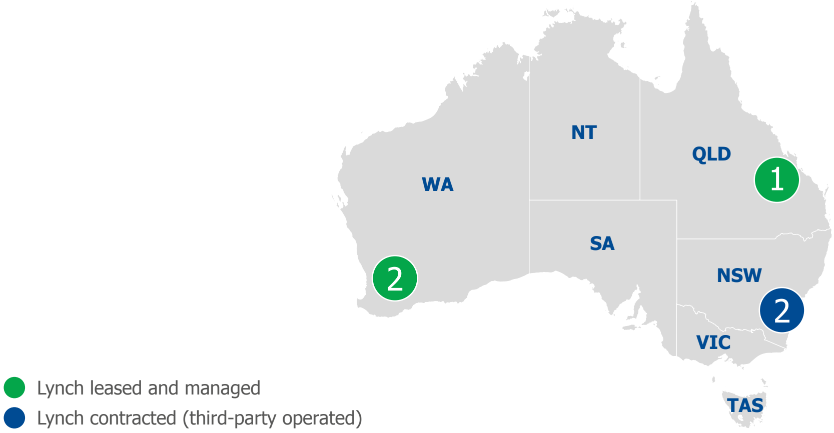
Figure 28: Customer breakdown of the Lynch Group's markets revenue



Australia: Farms

The Lynch Group has a number of Lynch Farms in Australia and has executed annual contracts with various partner farms in Australia to secure supply of specific floral and potted products. These include gerberas, oriental lilies and native wildflowers (typically exported to China and Europe), and potted plants such as phalaenopsis orchids, foliage, herbs and potted colour (which cannot be imported in soil into Australia). The Lynch Group's Australian farming portfolio comprises three Lynch Farms and two third-party operated farms from which the Lynch Group procures floral and potted herb products. For the Lynch Farms, the Lynch Group employees oversee the planting, growing, harvesting, packing and transportation of floral products. On the third-party operated farms, the Lynch Group is a major customer of these farms, with the Lynch Group contracting over 95% of the floral products grown on these farms. Further, the Lynch Group also manages the selection of varieties and colour mix to be grown on these third-party operated farms. The supply agreements with these third-party operated farms provide security of demand for growers and enables the growers to invest in facilities, expand growing operations and assist with driving efficiencies at their farms. The farms division holds strategic value to the Lynch Group's product range and provides the Lynch Group's Australia and China wholesale operations with specialised products that are in limited supply in Australia and China. Figure 29 below shows the Lynch Farms and the third-party operated farms from which the Lynch Group sources floral products.

Figure 29: The Lynch Group's Australian farming operations



Approximately 65% of products are sold directly to the Lynch Group's Australian Wholesale division, with the remainder sold externally to third parties (approximately 35%).

3.3.2 China

The Lynch Group has successfully established itself in China since 2004 and is the leading grower of premium flowers. The Lynch Group has a large, established platform in China and is progressing its strategy to become a vertically integrated player in the Chinese floral market. The Lynch Group's vertically integrated operations will provide Chinese supermarkets and other floral retailers with low-cost, high quality, and year-round supply of value-added floral products; a service offering which is yet to be established in the Chinese market. The Lynch Group's ability to leverage its significant know-how from the Australian operations will assist the China business in establishing more direct routes to markets, transporting flowers using end-to-end cool-chain transport and producing value-added, premium products for retailers and end consumers. Lynch HK's acquisition of the remaining 80% interest in VDB Asia under the VDB Acquisition Agreement strengthens its China platform and helps to accelerate the transition towards a vertically integrated floral provider. Further detail on the steps the Lynch Group has undertaken to execute on its growth strategy in China can be found under Section 3.5.

The Lynch Group operates its China division through three primary components:

- Farms;
- Domestic sales; and
- Export sales.

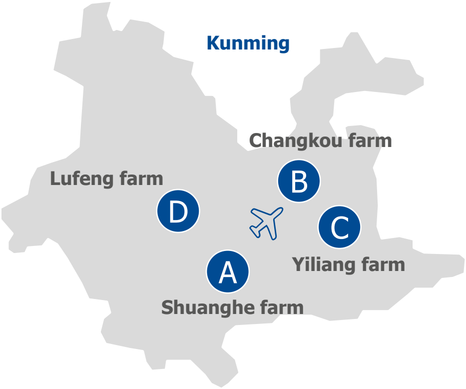
China: Farms

The Lynch Group is one of the largest flower growers in China. Post-acquisition of the remaining 80% interest in VDB Asia under the VDB Acquisition Agreement, the Lynch Group will have four Lynch Farms across the Yunnan Province. The Lynch Group has the largest area of flower growing land secured under lease in the Yunnan Province. Lynch Farms in China are strategically located near transport hubs and include advanced greenhouse infrastructure with sophisticated, automated control systems.

The VDB Acquisition is highly strategic and will enhance the Lynch Group's product offering. The VDB Group is the largest grower of premium roses in China and a large grower of premium tulips, with nearly 100% of its products sold via domestic channels. The VDB Group's farms operate at meaningfully higher yields compared to other local growers due to its advanced growing techniques and infrastructure. The VDB Acquisition will strengthen the Lynch Group's position in the Chinese domestic floral market, particularly for high-growth, high-value premium products including roses and tulips. There is low execution and integration risk associated with the acquisition of VDB Asia, given the Lynch Group's existing 20% stake in VDB Asia, and the long-term, collaborative relationship between both parties.

The Lynch Group has land capacity of 101 hectares,[42] with 65.5 hectares of this expected to be under production by the end of CY21F. The Lynch Group typically leases Lynch Farms in China on 20-year leases, entered into with the local village land holders and local government. Often local village land holders also work as employees of the Lynch Group. The Lynch Group plans to expand its production base by developing the remaining land it holds, enabling it to expand its stem production volumes over the coming years. The Lynch Group will seek to lease further land prior to reaching capacity of the current farm platforms (refer to Section 3.5.1 for further details).

Figure 30: The Lynch Group's existing four large-scale farms within the Yunnan Province



	A Shuanghe	B Changkou	C Lufeng	D Yiliang	Total
Land capacity (Ha)	8 Ha	35 Ha	38 Ha	20 Ha	101 in total (65.5 under production by end of CY21F)
Key varieties	Roses, aster, gerbera	Roses, gypsophila, aster	Roses, gerbera	Roses, tulips, amaryllis	NA

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[42] Includes the land capacity of the VDB Group following completion of the VDB Acquisition.

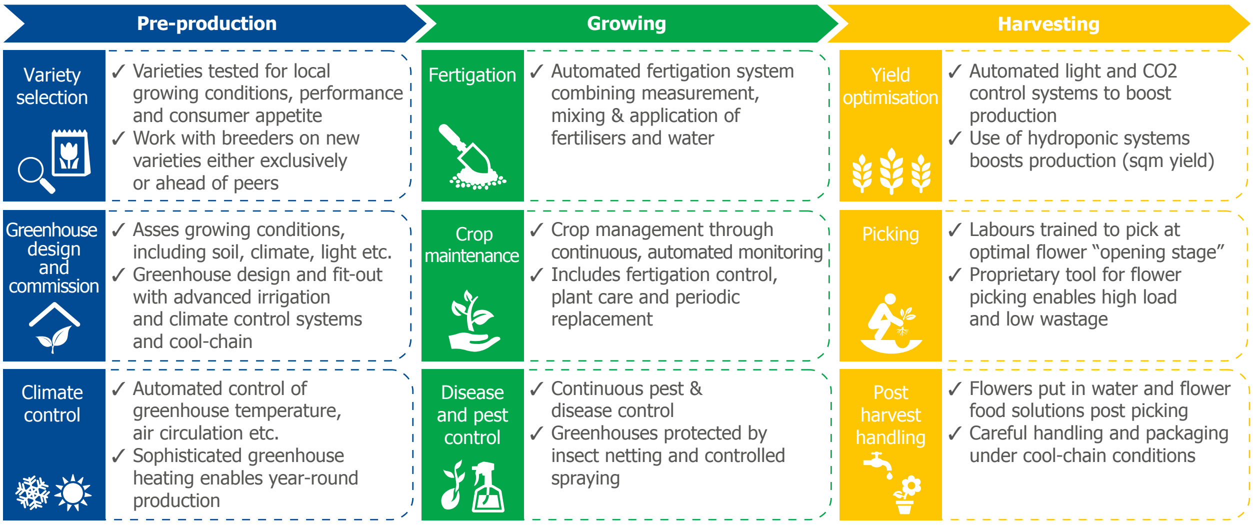
The Lynch Group in Australia has developed long-standing relationships with international cut flower breeders and breeder networks which are now being leveraged in its China business. Despite strong market demand for novel genetics to enter the Chinese flower industry, international breeders have been historically selective and cautious about choosing commercial partners in China. The Lynch Group's established relationships with global breeders facilitates its ability to assess, grow and commercially exploit new genetics well in advance of the general market. These long-term strategic relationships provide the Lynch Group with a first-to-market competitive advantage in China. The Lynch Group has a number of contractual arrangements with breeders, including agency arrangements (which give it rights to multiply, cultivate and widely distribute the genetics and resultant products into the market, in return for royalty payments to the breeder), cultivation arrangements (which give it rights to cultivate breeder-owned genetics for eventual sale) or trial arrangements (which give it the rights to first test new varieties developed by the breeder) to jointly determine whether the breeder will commercialise those varieties in its jurisdictions before other growers and distributors are provided access to those varieties.

Leveraging greenhouse infrastructure and substantial know-how in modern floriculture, the Lynch Group is able to produce high yield, premium quality flowers at lower costs across Lynch Farms. As highlighted in Figure 31 below, select Lynch Farms utilise cold store infrastructure and greenhouses to grow tulip varieties, allowing the Lynch Group to supply the Chinese market with this product across a longer growing season. Other Chinese growers typically do not have the required infrastructure to grow tulips across this extended period, allowing the Lynch Group to secure premium pricing for tulips. By managing all aspects of the growing supply chain across pre-production, growing and harvesting, the Lynch Group has improved yields and has demonstrated an ability to consistently deliver high quality flowers at better pricing compared to local Chinese growers. Figure 32 provides an overview of the Lynch Group's farm management, which Management considers to be best in class.

Figure 31: Illustrative comparison between the Lynch Group and other local tulip growers

	Local growers	LYNCH GROUP
Access to bulbs	• Purchased from multi-layered agents • Limited access to special/new varieties	• Direct from best-in-class breeders at low cost • Access to new & special varieties
Growing technique	• No pre-treatment • Soil-based method – impacted by season and growing conditions	• Pre-treatment in cold store • Continuous cycled production over shorter time spans in crates, independent of weather
Greenhouse infrastructure	• Poor construction quality (e.g. plastic tunnels) • Less effective at managing temperature fluctuations and more exposed to agricultural risk	• Advanced greenhouse design and fit-out with advanced irrigation and climate control systems • Sophisticated heating and lighting infrastructure
Efficiency	• Less efficient from both yield and flowering time perspective	• Higher yielding • Significantly quicker flowering time
Pricing	• Typically achieve lower prices vs. Lynch • Higher production costs results in lower growing margins	• Typically achieve premium pricing due to higher quality products

Figure 32: The Lynch Group farm management in China



Pre-production		Growing		Harvesting	
Variety selection	✓ Varieties tested for local growing conditions, performance and consumer appetite ✓ Work with breeders on new varieties either exclusively or ahead of peers	Fertigation	✓ Automated fertigation system combining measurement, mixing & application of fertilisers and water	Yield optimisation	✓ Automated light and CO2 control systems to boost production ✓ Use of hydroponic systems boosts production (sqm yield)
Greenhouse design and commission	✓ Asses growing conditions, including soil, climate, light etc. ✓ Greenhouse design and fit-out with advanced irrigation and climate control systems and cool-chain	Crop maintenance	✓ Crop management through continuous, automated monitoring ✓ Includes fertigation control, plant care and periodic replacement	Picking	✓ Labours trained to pick at optimal flower "opening stage" ✓ Proprietary tool for flower picking enables high load and low wastage
Climate control	✓ Automated control of greenhouse temperature, air circulation etc. ✓ Sophisticated greenhouse heating enables year-round production	Disease and pest control	✓ Continuous pest & disease control ✓ Greenhouses protected by insect netting and controlled spraying	Post harvest handling	✓ Flowers put in water and flower food solutions post picking ✓ Careful handling and packaging under cool-chain conditions

China: Domestic sales

The Lynch Group has an established platform for domestic sales of floral products in China. Operating for a number of years, the Lynch Group's sales platform seeks to disintermediate the multi-tiered logistics and distribution channel structure that has historically operated in China, providing a more direct to market solution to customers and enabling the Lynch Group to capture vertical margins. The Lynch Group typically sells floral products to wholesalers in other Chinese cities, to various Chinese retailers and directly to end consumers via its own proprietary "WeChat" based webshop.

Direct sales to wholesalers

The Lynch Group sells packed flowers directly to wholesalers located in other Chinese cities. This approach essentially removes intermediaries from the multi-tiered sales process for flowers that typically occurs in China, including traditional auction houses and other wholesalers. As a result, these wholesalers increasingly prefer to deal directly with the Lynch Group, with the Lynch Group able to provide more competitive pricing and higher quality floral products compared to traditional supply pathways.

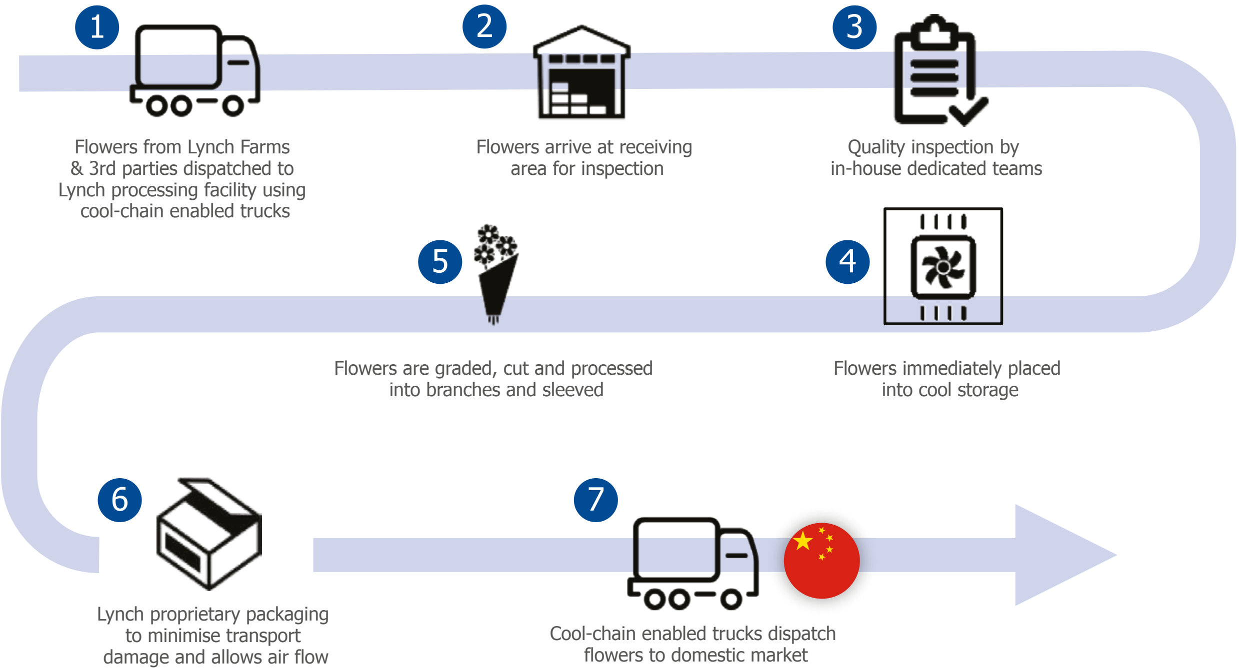
Direct sales to retailers and end consumers

The Lynch Group sells consumer-ready products directly to retailers, including supermarkets and online players, and directly to end consumers via the VDB Group's own proprietary "WeChat" webshop.

The acquisition of the VDB Group strengthens the Lynch Group's sales platform to retailers and end consumers in China and accelerates the Lynch Group's transition towards becoming a vertically integrated player. The Lynch Group previously sold approximately 10% of its Chinese grown floral products domestically, whilst the VDB Group sells nearly 100% of its products to the domestic market. As a result of the VDB Acquisition, the Lynch Group sells the majority of its China-based production into both offline and online Chinese retail channels. With approximately 6,000 florists and around 2,000 wholesaler customers in its database, the Lynch Group in China is a large and growing player in the market. The VDB Group's established customer network and channel plan complements the Lynch Group's scaled processing expertise of value-added products, with these attributes providing a holistic and compelling value proposition for existing and potential customers.

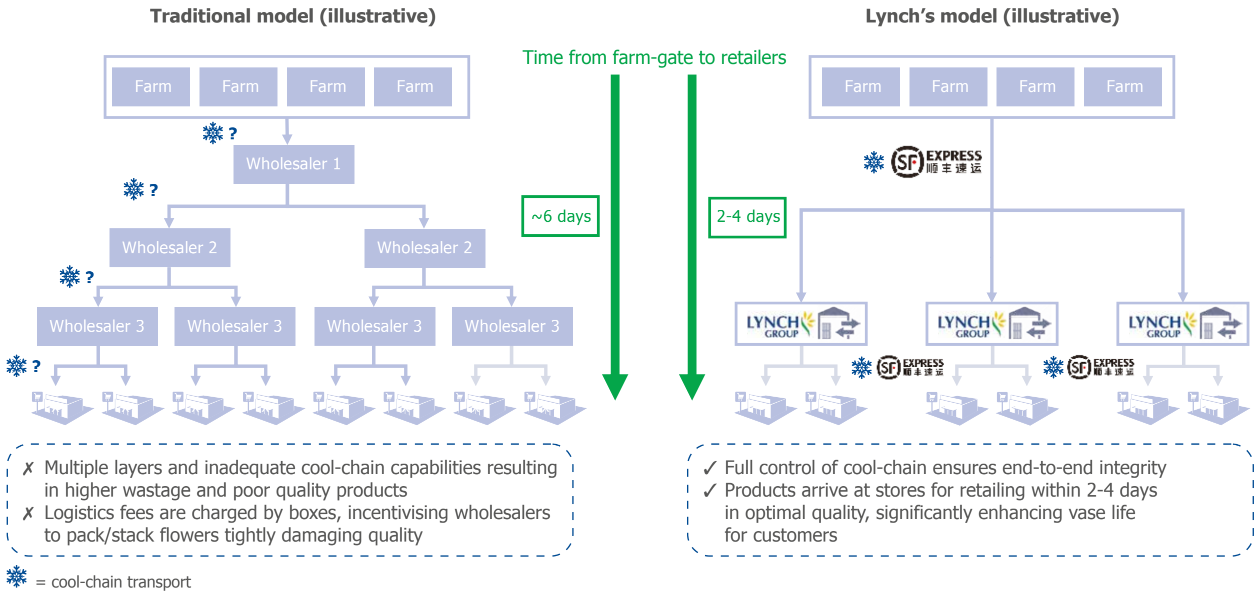
The Lynch Group is a highly differentiated partner in China, capable of delivering consistent volume, price, and quality to domestic retailers on a year-round basis, which is highly valued by customers and delivers predictability to their floral product offering. The Lynch Group has successfully established end-to-end cool-chain logistics with a third-party provider, Shunfeng Express, to deliver floral products from farms to customer distribution centres, a differentiated value proposition in China that helps to ensure end-to-end product integrity. The Lynch Group is able to transport product from farms in the Yunnan Province to customers in major cities within approximately 2-4 days under cool-chain conditions (versus traditional competitor delivery time of approximately 6 days), enabling products to arrive at stores quickly and maximising vase life for customers. The Lynch Group in China continues to leverage the know-how built up by the Lynch Group in Australia around cool-chain storage and floral transport methods to control product quality and deliver consumer-ready products in an efficient manner. Figure 33 provides an overview of how the Lynch Group in China moves flowers from its farms to customers.

Figure 33: Overview of the Lynch Group's supply chain in China



Smaller players within the Chinese floral market are impacted by a lack of logistics and transport infrastructure systems that are capable of handling delicate, perishable floral products. Limited access to cool-chain transport, a lack of adequate flower nutrition and limited knowledge in handling floral products ultimately results in higher wastage and lower product quality at point of sale. A key driver of flower pricing in China is the fragmented supply chain, with consumers often required to pay significant mark-ups due to multiple layers of wholesalers and product handlers along the flower distribution supply chain. By operating a vertically integrated model, the Lynch Group is able to disintermediate the multi layered supply chain, thus removing several layers of wholesalers and creating the opportunity to capture incremental vertical margins. Figure 34 provides a comparison of the Lynch Group's supply chain to traditional models in transporting products from farm to customer.

Figure 34: Comparison of the Lynch Group's supply chain to traditional models (illustrative only)



✗ Multiple layers and inadequate cool-chain capabilities resulting in higher wastage and poor quality products
✗ Logistics fees are charged by boxes, incentivising wholesalers to pack/stack flowers tightly damaging quality

✓ Full control of cool-chain ensures end-to-end integrity
✓ Products arrive at stores for retailing within 2-4 days in optimal quality, significantly enhancing vase life for customers

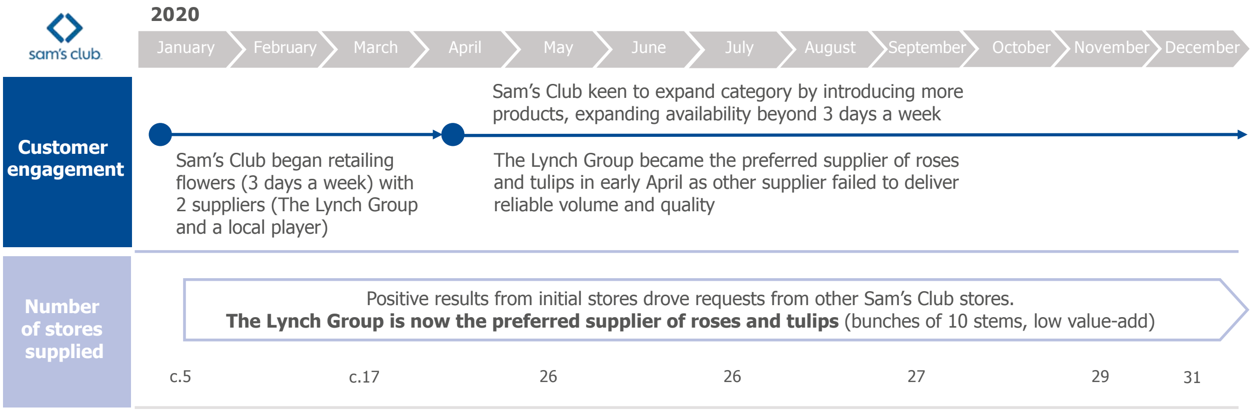
❄ = cool-chain transport

The Lynch Group has secured a number of Chinese supermarket chains as customers, including Sam's Club, Olé and Hema. As Chinese supermarkets expand their floral product offerings over time, the Lynch Group can utilise its experience in floral design and margin management to create appealing value-added consumer-ready products at scale and further strengthen these relationships whilst attracting new customers. The Lynch Group's experience over 30 years in merchandising the major Australian supermarkets can also be leveraged to optimise customer relationships, drive product sell-through, ensure optimal presentation of products and minimise wastage for both supermarkets and other retail channels.

Sam's Club case study

Sam's Club began stocking flowers in some of its stores during early 2020, initially relying on two suppliers, the Lynch Group and a local player, to provide its floral products. Through service and product quality, the Lynch Group was able to become the preferred supplier of roses and tulips nationally to Sam's Club within 3 months. Sam's Club continues to expand its offering by stocking floral products in additional stores. The Lynch Group's customer journey with Sam's Club is highlighted in Figure 35 below.

Figure 35: Customer journey with the Lynch Group – Sam's Club example



Sam's Club began retailing flowers (3 days a week) with 2 suppliers (The Lynch Group and a local player)

Sam's Club keen to expand category by introducing more products, expanding availability beyond 3 days a week

The Lynch Group became the preferred supplier of roses and tulips in early April as other supplier failed to deliver reliable volume and quality

Positive results from initial stores drove requests from other Sam's Club stores.
The Lynch Group is now the preferred supplier of roses and tulips (bunches of 10 stems, low value-add)

To support its vertically integrated business model, the Lynch Group has also recently established the Shanghai Facility, its own processing facility in Shanghai, which allows it to process more complex consumer-ready products, including bouquets and arrangements. Through its Australian operations, the Lynch Group has strong experience in setting up and running processing facilities to produce value-added products at scale. This strategically located processing facility will expand the Lynch Group's value offering and range of products available to retailers, with products stored in effective cool-chain infrastructure at the centre until these products are delivered directly to retailers. The Lynch Group plans to replicate this processing and distribution model in other major Chinese cities over time.

Operating throughout COVID-19

Similar to the Australian business, the Lynch Group has adjusted its business model to manage through the COVID-19 pandemic. The Lynch Group's strong brand recognition and direct sales platform allowed it to maintain product sell-through during the pandemic, with product sold directly to florist and consumer buying groups through its "WeChat" webshop.

Management also implemented a number of short-term operating initiatives to limit COVID-19 related impacts and maintain margins. Given reduced air freight availability, volumes originally designated for the Australian business were redirected to service the domestic Chinese market. The Lynch Group's platform also facilitated flexibility to enable a shift to a sea container program for export markets in China. Despite the operational challenges associated with COVID-19, the Lynch Group was able to make strong progress in advancing its vertically integrated strategy in China, having commenced supply to Sam's Club and increasing engagement with other retailers.

3.3.3 China: Export

The Lynch Group exports products from Lynch Farms in China, as well as third-party procured flowers, to support the Lynch Group's Australian business. These products are high quality and have lower freight costs due to proximity to Australia. In FY20, approximately 12.7 million of farm-grown stems were exported to Australia, comprising approximately 13% of the Lynch Group's total stem production in China. The Lynch Group's export capabilities in China (including biosecurity accreditation) provide additional flexibility to its farm operations as production from Lynch Farms can be sold domestically or exported to Australia.

3.3.4 Established and long-standing presence in China

The Lynch Group has a large, established and long-standing organisational platform in China. With more than 16 years of in-market experience, the Lynch Group works openly and constructively with the government and the community and is an important employer in the Yunnan Province. Across its China operations, the Lynch Group hires over 850 people[43] through its growing, processing, logistics and sales activities.

3.3.5 Leveraging the Lynch Group's know-how in the Chinese market

The China operations are managed by a highly trained local management team. The Lynch Group has established operating systems and infrastructure in place which are supported by on-the-ground management across all operational functions. The Lynch Group's lengthy track record of successful investment and expansion has enabled the establishment and development of important government relationships at all levels.

3.3.6 Leveraging the Lynch Group's know-how in the Chinese market

The Lynch Group is successfully leveraging transferable know-how from Australia to its China operations. This provides the Lynch Group with sustainable competitive advantages relative to local growers and progresses the Lynch Group's strategy towards becoming a vertically integrated player in the China floral market. The Lynch Group's Australian expertise that is being utilised in its Chinese operations includes:

- **Global procurement relationships:** the Lynch Group's strong relationships with global growers provides its Chinese business with access to year-round supply of low-cost, high quality floral products.
- **Breeder relationships:** Established relationships with global breeders facilitate access to premium genetics that are not normally available to other growers.
- **Modern growing practices:** Ability to leverage substantial know-how in modern floriculture and infrastructure (which Management believe is best in class) allows the Lynch Group to maintain stable production at scale, including during winter months when overall floral supply is typically lower, and prices are higher.

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[43] The figure includes workers who are hired through labour hire arrangements.

- **Product innovation and margin management:** Knowledge of product development expertise enabling the creation of appealing, value-added consumer-ready products at scale, and the know-how to efficiently alter product specifications to assist in margin management.
- **Processing and production expertise:** Deep understanding and know-how in setting up and running large-scale processing facilities to produce more complex and value-added floral products at scale and at agreed pricing for customers.
- **Transport and logistics:** Expertise in moving flowers from farms to customer, including end-to-end cool-chain management. The Lynch Group's transport, processing and packaging expertise results in products being efficiently delivered to retailers and maximises vase life for end consumers.
- **Biosecurity expertise:** Experience in dealing with strict biosecurity laws and knowledge of effective treatment and fumigation methods positions the Lynch Group to adhere to China's own biosecurity laws, which are expected to tighten over time as imports of premium floral products increase to satisfy growing demand.
- **Direct to retailer experience:** Expertise in delivering products directly to customers disintermediates the supply chain and removes multiple layers of wholesalers, ensuring speed to market and more competitive pricing for customers.
- **Deep merchandising capabilities:** Expertise developed from over 30 years of merchandising experience at major Australian supermarkets to optimise customer relationships, maximise product sell-through and minimise wastage.

3.4 Australia growth drivers and strategy

The Lynch Group is well positioned to leverage its existing platform and scale to capitalise on structural changes in the Australian floral retail market, drive future growth in the segment and further diversify its customer base across other retail channels.

3.4.1 Supermarket channel structural growth

The Lynch Group is an important contributor to and beneficiary of the growing floral retail market in Australia (see Section 2.2.1). Management believe that improving consumer perceptions around the freshness and quality of floral products in supermarkets will contribute to continued floral sales growth, as evidenced by the significant growth of floral products in UK supermarkets. In the past 15 years, supermarkets' share of UK floral sales has increased from 18%[44] to approximately 55%[45] in FY2019, driven by improved perceptions around freshness and product quality of floral products. The Lynch Group is contributing towards this structural shift in Australia through increased convenience in purchasing products and by enhancing product freshness through increased product velocity through to end consumers, in addition to expanding its SOR store conversion strategy and national merchandising efforts, which have demonstrated a track record of improving consumers' quality perceptions and improved sales performance.

Range and product improvement

Partly due to supply chain challenges that occurred during COVID-19, Management sought to align the product ranges and offers in supermarkets to navigate supply chain constraints. For example, the Lynch Group simplified the range for the Mother's Day event in 2020, delivering a successful event for both the Lynch Group and its supermarket customers in Australia. Initiatives implemented in the Lynch Group's processing chain included removing labour intensive materials from products and adjusting floral offers for bouquets and floral arrangements. Simplifying the range (choice) for the consumer also enabled the Lynch Group to implement COVID-19 operating procedures, maintain freshness of products and meet customer delivery timelines to stores across Australia for the event.

The adjustment of product offers and range has assisted the Lynch Group to offset increased costs incurred in connection with COVID-19, such as increased transportation costs. Management continue to explore further ways to innovate its product range and recipes in order to optimise the product offering for retailers and end consumers.

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[44] Management has formed this view based on review of various independent sources.

[45] Management has formed this view based on review of various independent sources.

SOR store footprint expansion

Management see significant runway for further conversion of Core stores into SOR. Customer support is driving an accelerated conversion rate for SOR, which has seen the network grow to approximately 20% of total supermarket stores, up from approximately 15% in October 2019. Management expect this momentum to continue and is well placed to deliver on its SOR target of approximately 21% of total stores nationally by end of CY21F.

Shifting towards more SOR stores assists the customer in generating higher sales and meeting consumer demand, whilst also providing flexibility to the Lynch Group's procurement strategy by allowing it to take advantage of seasonal buying opportunities. Average SOR store sales are 3-4x that of Core stores and store managers typically respond favourably to the SOR model as it enhances the floral range to the consumer through access to broader seasonal offers, with stores being supported more frequently by the Lynch Group's dedicated in-store merchandising team.

Expanded merchandising coverage

There are additional opportunities for the Lynch Group to increase the merchandising coverage of stores. Based on store profiling, the Lynch Group has identified an opportunity to significantly increase merchandising store visits across the supermarket store network. Increased merchandising provides the Lynch Group and its customers with greater flexibility over floral display standards and helps to enhance consumer perceptions of supermarket flower quality.

Currently, only 21% of the Lynch Group's Core supermarket stores are receiving merchandising support. Management has identified an additional 18% of total Core stores to increase merchandising coverage in the medium term, which is projected to deliver meaningful growth in same-store sales. The offer of merchandising to stores receives positive feedback and strong support from both store managers and customers, given the cost of merchandising is an investment made by the Lynch Group. Additional investment is planned to further enhance the Lynch Group's merchandising systems and deliver greater visibility of store-by-store sales.

3.4.2 Continue to expand channel and customer footprint

The Lynch Group's expansion into other large retail formats and further penetration of wholesale channels to market will further entrench its position as the most experienced floral industry player with a national footprint. Large chained retailers are increasingly looking to expand their home improvement range and see floral products as a key element of this. In addition, these retailers are looking to simplify their procurement process with a national category leader that provides a national solution for their floral and potted needs. Category leadership across the supermarket channel positions the Lynch Group as an attractive floral partner who can provide a national scale solution and deliver consumer-ready products. The Lynch Group's merchandising and category management expertise is important for these retailers, who are looking for this simplified solution in procuring, processing and presenting floral products for sale. Whilst the Lynch Group has historically focused on supermarkets, there is further upside in the chained retailer category as demonstrated by its recent contract wins. For example, the Lynch Group has started supplying consumer-ready fresh floral products to approximately 100 collaborated convenience stores between David Jones and BP.

The Lynch Group's Australian markets division represents an important way for the Lynch Group to increase its exposure to other retail channels, with florists, online marketplaces and independent retailers having historically procured floral products from traditional flower markets. The Lynch Group has a clear competitive advantage supplying these channels due to its access to a broad range of globally sourced products, scaled supply chain and cost advantages over traditional suppliers to this segment. Management believe that demand for the Lynch Group's products from florists will increase as they continue to focus on higher margin product offerings for weddings, funerals and corporate events, with the Lynch Group's flower markets providing them with competitively priced, high quality flowers in the quantity and varieties they require. Management intend to expand this business into other Australian states via acquisition and greenfield opportunities, which will continue to diversify the Lynch Group's Australian channel exposure.

3.5 China growth drivers and strategy

Management has identified a number of opportunities in the growing Chinese market across various aspects of the early-stage supply chain. There are three key pillars of the Lynch Group's China growth strategy:

- Increase production capacity;
- Become an attractive partner to retailers and grow the direct-to-consumer channel; and
- Roll out processing facilities across major cities in China.

3.5.1 Increase production capacity

The Lynch Group has significant land secured in the Yunnan Province and plans to develop the remaining land available and expand its floral production volume. Incremental capital expenditure would be required to unlock this additional production capacity. The resultant growth in stems is expected to be a function of both increased land under production as well as continued yield optimisation. The Lynch Group's capacity expansion coincides with expectations of significant growth in the Chinese floral market, which is forecast to double and reach a market size of approximately $43 billion[46] by FY2023. The Lynch Group is expected to have 65.5 hectares under production by the end of CY21F, with an additional 35.5 hectares available for future development (as set out in Section 4.9.6).

The Lynch Group has a proven track record in successfully expanding production capacity, having increased land under production by approximately 45% from FY18 to FY20, resulting in a 65% increase in production volume. Management maintains a prudent and disciplined approach to capital deployment and generally targets a minimum ROIC[47] of 25%.

See Section 4.9.6 for more details on capital expenditure, land capacity and ROIC.

3.5.2 Become an attractive partner to retailers and grow the direct-to-consumer channel

The Lynch Group sees significant opportunities to further disintermediate the supply chain and capture vertical margin. Mass-market retailers are searching for a national supplier of consumer-ready floral products, particularly in the context of a highly fragmented and developing market structure. The Lynch Group provides both online and offline retailers with a compelling proposition in terms of scale, quality, security of year-round supply and expertise around end-to-end cool-chain transport.

Offline retailers, specifically supermarkets, have been a key focus, given the ability to leverage the Lynch Group's supermarket expertise in category management and merchandising support. The Lynch Group's success at Sam's Club has resulted in numerous inbound customer enquiries, with the Lynch Group recently securing Olé and Hema as additional supermarket customers.

- Sam's Club, a subsidiary of Walmart, Inc., is a membership based warehouse retailer with a presence in China.
- Olé, a subsidiary of China Resources Vanguard, is an upmarket supermarket chain in China with a focus on imported consumer products.
- Hema, a subsidiary of Alibaba Group Holding Limited, is an offline fresh food focused supermarket chain in China.

With supply of floral products having commenced to Olé and Hema in October 2020 and December 2020 respectively, the Lynch Group expects to ramp up supply to existing stores and expand into additional stores in 2021. Furthermore, Sam's Club is increasingly looking to expand its product offering and introduce value-added products to its floral range. As highlighted in Figure 36, Management have identified a number of other potential retailers to target in the near-term and discussions have already commenced with some retailers.

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[46] China Flower Statistics 2010: China Ministry of Agriculture (published in 2011), China Flower Statistics 2015: China Ministry of Agriculture (published in 2016), Cut Flower in China (2018), PMA (2018). Represents the mid-point of market size forecast ($41-47 billion). Market size figures converted at AUD/RMB exchange rate of 1:5.00.

[47] Measured as EBITDA divided by growth capital employed before any debt funding.

Figure 36: Identified potential customers for the Lynch Group's business in China

Walmart

每日优鲜 (Missfresh)

Alibaba Group

苏宁易购 suning.com

JD.COM 京东

永辉超市 YONGHUI SUPERSTORES

SUN ART Retail Group Limited

易果生鲜 YIGUO.COM

7FRESH FOOD MARKET

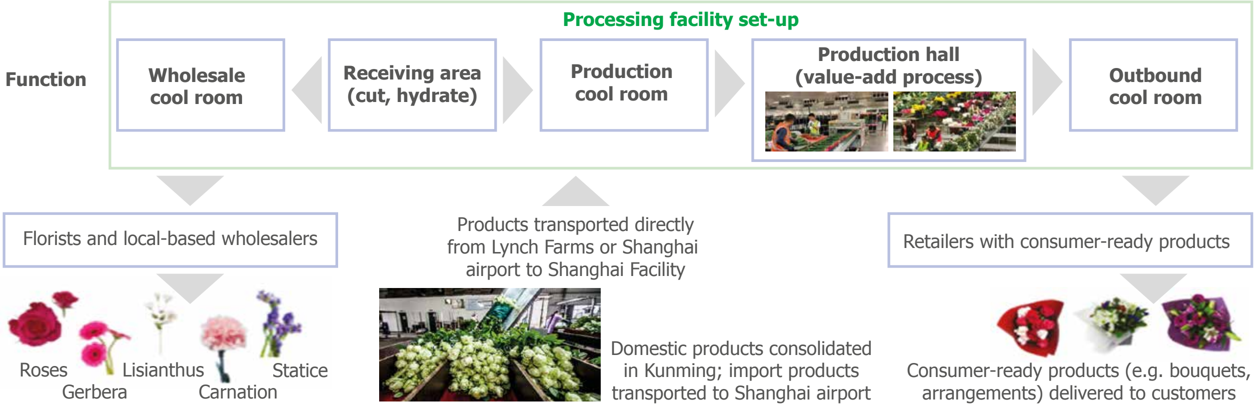
COSTCO WHOLESALE 开市客

3.5.3 Roll out processing facilities across major cities in China

Post establishment of the Shanghai Facility, the Lynch Group plans to continue rolling out further processing facilities in target major cities in China, providing direct access to some of the largest and wealthiest cities in China.

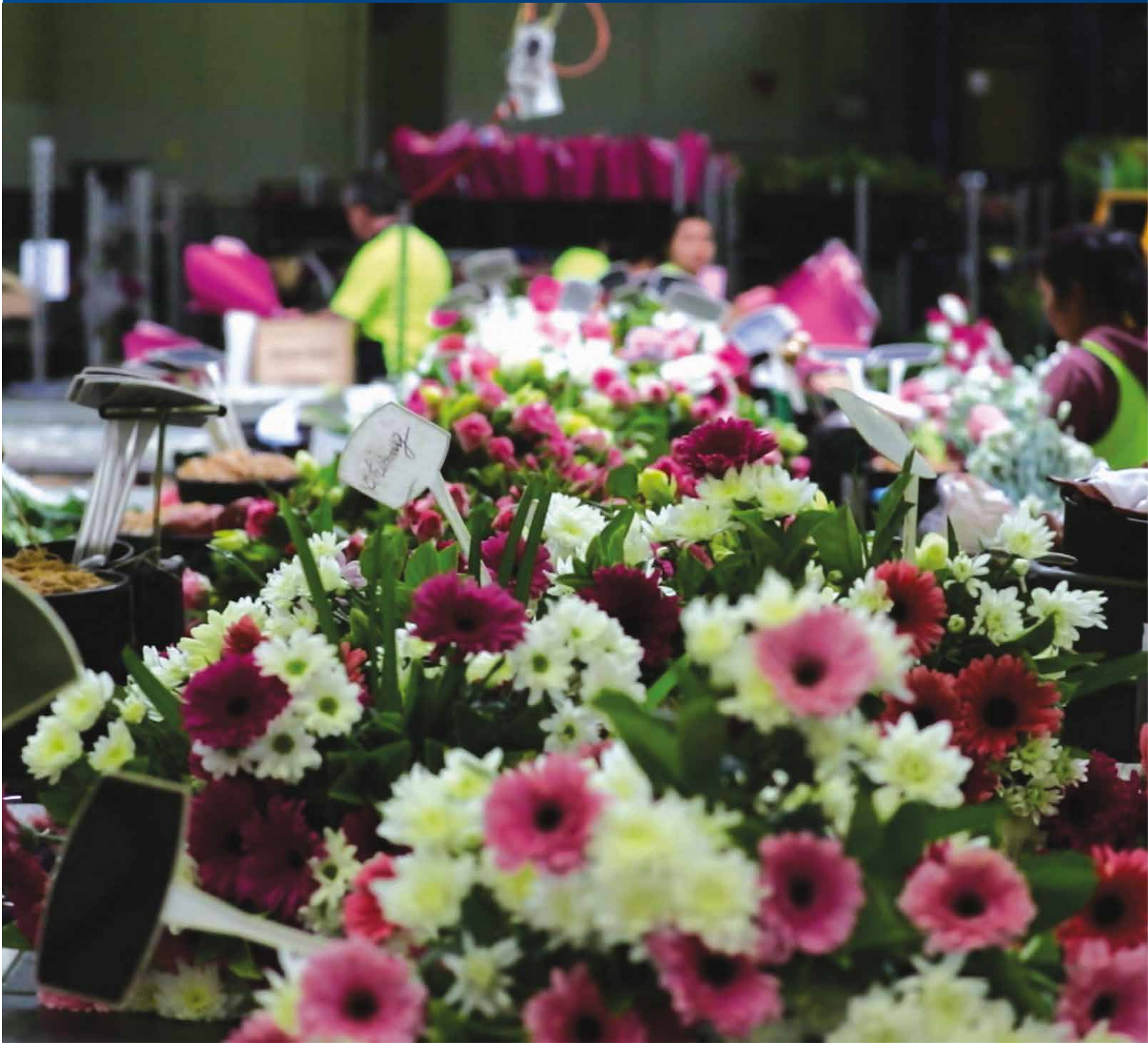
These processing facilities will provide an end-to-end solution from the Lynch Group's supply and production base in Kunming to delivery of consumer-ready products to customers, enhancing speed to market and product quality for the Lynch Group's range of consumer-ready products. As shown in Figure 37, an end-to-end logistics solution from farm gate to processing facility provides industry best practice operational flow and efficiency for floral products. Similar to the Shanghai Facility, these facilities will include dedicated production and display cool rooms to showcase floral products, enhancing the ordering and packing processes for wholesale customers. Processing capabilities at each processing facility will enable the Lynch Group to create a broader range of value-added products in close proximity to end-markets served by e-commerce and mass-market channels.

Figure 37: The Lynch Group's end-to-end logistics strategy



4.

Financial Information



4. Financial Information

4.1 Introduction

This Section 4 contains:

- the Statutory Historical Financial Information and Pro Forma Historical Financial Information of the Lynch Group for the financial years ended 30 June 2019 (**FY19**) and 28 June 2020 (**FY20**), and for the half-years ended 29 December 2019 (**1H FY20**) and 27 December 2020 (**1H FY21**); and
- the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information of the Lynch Group for the financial years ending 27 June 2021 (**FY21F**), the period between 28 December 2020 and 26 December 2021 (**CY21F**), and for the half-year ending 26 December 2021 (**1H FY22F**).

All financial information within this Section 4 has been prepared by the Lynch Group on a consolidated basis.

Table 4.1: Overview of the Financial Information

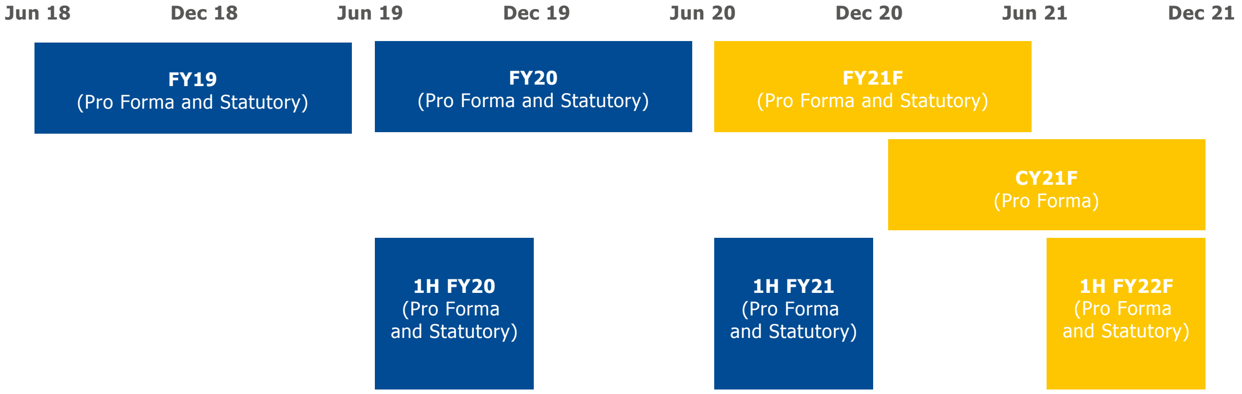
Definitions	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	**Statutory Historical Financial Information** comprises the following: • statutory historical consolidated income statements for FY19, FY20, 1H FY20 and 1H FY21 (**Statutory Historical Income Statements**); • statutory historical consolidated cash flows for FY19, FY20, 1H FY20 and 1H FY21 (**Statutory Historical Cash Flows**); and • statutory historical consolidated statement of financial position as at 27 December 2020 (**Statutory Historical Statement of Financial Position**).	**Pro Forma Historical Financial Information** comprises the following: • pro forma historical consolidated income statements for FY19, FY20, 1H FY20 and 1H FY21 (**Pro Forma Historical Income Statements**); • pro forma historical consolidated cash flows for FY19, FY20, 1H FY20 and 1H FY21 (**Pro Forma Historical Cash Flows**); and • pro forma historical consolidated statement of financial position as at 27 December 2020 (**Pro Forma Historical Statement of Financial Position**).
Forecast Financial Information	**Statutory Forecast Financial Information** comprises the following: • statutory forecast consolidated income statements for FY21F and 1H FY22F (**Statutory Forecast Income Statements**); and • statutory forecast consolidated cash flows for FY21F and 1H FY22F (**Statutory Forecast Cash Flows**).	**Pro Forma Forecast Financial Information** comprises the following: • pro forma forecast consolidated income statements for FY21F, CY21F, and 1H FY22F (**Pro Forma Forecast Income Statements**); and • pro forma forecast consolidated cash flows for FY21F, CY21F, and 1H FY22F (**Pro Forma Forecast Cash Flows**).

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

The Lynch Group reports on a 52 week financial year basis, and the Financial Information in this Section 4 has been presented on this basis. In addition, the Lynch Group has also included:

- Statutory Forecast Financial Information for 1H FY22F (as this is a statutory half year period which the Lynch Group will be reporting on in February 2022, subsequent to Listing); and
- Pro Forma Forecast Financial Information for CY21F to provide investors with an understanding of the expected performance of the Lynch Group in the period between 28 December 2020 to 26 December 2021 (representing the forecast for 2H FY21F which forms part of the Pro Forma Forecast Income Statement for FY21F, and the Pro Forma Forecast Income Statement for 1H FY22F).

Figure 38: Overview of the Financial Information contained in this Section 4



Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards had they applied to the Historical Financial Information and the Forecast Financial Information (see Section 4.2);
- an explanation of certain financial measures that are neither recognised by the Australian Accounting Standards Board (**AASB**) or under the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) that are used by the Lynch Group and included in this Prospectus to assist investors in understanding the financial performance of the business (see Section 4.2.6) (**non-IFRS financial measures**);
- pro forma adjustments and reconciliations of the Statutory Historical Financial Information to the Pro Forma Historical Financial Information and the Statutory Forecast Financial Information to the Pro Forma Forecast Financial Information (see Sections 4.3);
- segment information (see Section 4.4);
- a summary of the Lynch Group's key operating and financial metrics (see Section 4.5);
- details of the Lynch Group's indebtedness and capitalisation (see Section 4.7), including debt facilities (see Section 4.7.3), and liquidity and capital resources (see Section 4.7.4);
- the general and specific assumptions underlying the Forecast Financial Information (see Section 4.8);
- Management's discussion and analysis of the Historical Financial Information and Forecast Financial Information (see Section 4.9);
- an analysis of the sensitivity of the Forecast Financial Information to changes in certain key assumptions (see Section 4.10); and
- the Lynch Group's proposed dividend policy (see Section 4.11).

The Financial Information presented in this Prospectus has been reviewed by Deloitte Corporate Finance Pty Limited (**Investigating Accountant**) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Investigating Accountant's Report on the Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report on the Financial Information (see Section 8).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Investors should note that past results are not a guarantee of future performance.

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are in millions rounded to one decimal place (the nearest hundred thousand). Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculations.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the Lynch Group's underlying historical financial performance, cash flows and financial position, together with the forecast financial performance and cash flows for various periods up to 26 December 2021.

The Statutory Historical Financial Information and Statutory Forecast Financial Information have been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**) issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB.

The Significant Accounting Policies adopted in the preparation of the Financial Information are set out in Appendix 2 and have been consistently applied throughout the financial periods presented in this Prospectus unless stated otherwise.

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared solely for inclusion in this Prospectus and have been derived from the Statutory Historical Financial Information and the Statutory Forecast Financial Information adjusted for certain transactions and pro forma adjustments.

A discussion of the operating segments the Lynch Group expects to report under AASB 8 *Operating Segments* is set out in Section 4.4.

In addition to the Financial Information, this Section 4 includes non-IRFS financial measures that the Lynch Group uses to manage and report on its business that are not defined under or recognised by AAS or IFRS.

4.2.2 Preparation of the Historical Financial Information

The Statutory Historical Financial Information for FY19 and FY20 has been derived from the consolidated special purpose statutory financial statements of the Lynch Group. The consolidated special purpose statutory financial statements for FY19 and FY20 were audited by Deloitte Touche Tohmatsu (**Deloitte**) in accordance with the Australian Auditing Standards. Certain reclassifications have been made to the statutory financial information. In all cases, Deloitte issued an unmodified audit opinion on each of the financial statements.

The Statutory Historical Financial Information for 1H FY20 and 1H FY21 has been derived from the half-year consolidated general purpose financial statements for 1H FY21 of the Lynch Group (which included comparative financial information for 1H FY20). The consolidated financial statements for 1H FY21 was reviewed by Deloitte in accordance with the Australian Auditing Standards. Deloitte issued an unmodified review conclusion on the consolidated financial statements.

The Pro Forma Historical Income Statements and the Pro forma Historical Cash Flows have been prepared for the purpose of inclusion in this Prospectus and have been derived from the Statutory Historical Financial Information and adjusted for the effects of the pro forma adjustments described in Section 4.3.4 of this Prospectus. In particular, pro forma adjustments have been made to reflect the following:

- the estimated incremental costs of being a publicly listed company, including additional Board and governance costs, incremental audit, tax, legal and compliance related costs, ASX listing fees and incremental executive remuneration (including long-term incentives) assuming Completion had occurred on 2 July 2018;
- the inclusion of the income statement and cash flows of the VDB Group from 2 July 2018, assuming it was controlled by the Lynch Group in each of the Pro Forma Financial Information periods presented within this Section 4;
- the application of AASB 16 *Leases* (**AASB 16**) as if this had been adopted from 2 July 2018 (see Section 4.2.5 below);
- the impact of removing the results of the discontinued Australian online retail operations;
- the removal of acquisition and restructuring costs in relation to the Lynch Group's historical acquisitions and refinancing activities;
- the costs relating to the previous board structure have been added back on the basis that these costs will be replaced by the new board structure contained in the pro forma adjustments relating to incremental costs associated with being a publicly listed company;

- the removal of the impact of the non-recurring benefit of the JobKeeper Payment received by the Lynch Group;
- the impact of the capital and debt structure including interest expense following Completion; and
- the tax effect of the above adjustments and the application of a pro forma effective income tax rate which is expected to be applicable going forward.

Section 4.3.4 sets out the pro forma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements. Section 4.6.4 sets out the pro forma adjustments made to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect the following:

- the inclusion of the assets and liabilities of the VDB Group as at 27 December 2020, assuming it was acquired as at this date, to illustrate the expected impact of the business combination on the consolidated statement of financial position of the Lynch Group, accounted for using the acquisition method of accounting (fair value);
- the impact of the Offer, including costs directly attributable to the Offer being offset against share capital (with the remainder expensed in retained earnings); and
- the impact of the capital and debt structure following Completion.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of the Lynch Group.

Table 4.19 sets out the pro forma adjustments made to the Statutory Historical Statement of Financial Position and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position.

4.2.3 Acquisition of the VDB Group

At 27 December 2020, the Lynch Group owned a 20% interest in the VDB Group, which it acquired in 2019. In conjunction with the Offer, the Lynch Group will acquire the remaining 80% interest in the VDB Group, resulting in 100% ownership of the VDB Group.

From the acquisition date, the Lynch Group will consolidate the financial results of the VDB Group. The acquisition of the remaining 80% shareholding will be accounted for under AASB 3 Business Combinations as a 'step acquisition' resulting in a gain on disposal of the original equity investment in the Statutory Forecast Financial Information.

In accordance with ASIC Regulatory Guide 228, the Lynch Group has assessed the Pro Forma Historical Financial Information and concluded that the VDB Group does not meet the threshold for a significant business acquisition. Therefore, the Prospectus does not include the historical statutory financial results of the VDB Group on a stand-alone basis.

To reflect the historical and future performance of the Lynch Group consistent with its ongoing operations following the Offer, the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information includes the trading results of the VDB Group.

Separate historical financial information for FY19, FY20, 1H FY20 and 1H FY21 was prepared by the VDB Group in accordance with the accounting policies of the Lynch Group (as disclosed in Appendix 2 and forms the basis for the pro forma adjustment).

The Pro Forma Financial Information also includes:

- the expected impact of applying the acquisition method of accounting (fair value) to the business combination at 27 December 2020, including the recognition of intangible assets, goodwill and other fair value adjustments in the statement of financial position;
- a pro forma adjustment to the historical income statement from 2 July 2018 to the date of acquisition of the remaining 80% interest in the VDB Group, including the amortisation of acquired intangibles arising from the acquisition; and
- removal of the expected gain arising from the deemed sale of the existing 20% interest in the VDB Group from the Statutory Forecast Income Statement; an accounting impact that occurs when the Lynch Group acquires the remaining 80% interest in the VDB Group.

4.2.4 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus based on an assessment of current economic and operating conditions, including the impact of the COVID-19 pandemic. It should be read in conjunction with the general and specific assumptions set out in Section 4.8, the sensitivity analysis described in Section 4.10, the risk factors described in Section 5, the Significant Accounting Policies set out in Appendix 2 and the other information in this Prospectus.

The inclusion of these assumptions in Section 4.8 is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that they will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from the assumptions used in preparing the Forecast Financial Information, and that these differences may have a material effect on the Lynch Group's actual financial performance or financial position.

In addition, the assumptions upon which the Forecast Financial Information are based, are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Lynch Group, the Directors and Management, and are not predictable. Accordingly, none of the Lynch Group, the Directors, Management or any other person can give investors any assurance that the events and outcomes discussed in the Forecast Financial Information will arise. Events and outcomes may differ in amount and timing from the assumptions used and may have a material impact on the actual results for FY21F, CY21F and 1H FY22F.

The Directors have prepared the Forecast Financial Information with due care and attention and consider all general and specific assumptions, when taken as a whole, to be reasonable at the time of preparation of this Prospectus. However, this information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

It is not intended that the Forecast Financial Information or other forward-looking statements will be updated or revised. It is not intended that prospective Financial Information will be published in the future, regardless of whether new information, future events or any other factor affects the information contained in this Prospectus, except where required by law or regulation.

The Forecast Financial Information for FY21F, CY21F and 1H FY22F has been prepared and presented on both a Statutory and Pro Forma basis. The Statutory Forecast Financial Information and Pro Forma Financial Information for FY21F includes the actual results of the Lynch Group for 1H FY21 and the forecast results for the remainder of FY21F. The statutory forecast results for FY21F also has regard to current trading performance up to the date of lodgement of the Prospectus. There are no adjustments between the Pro Forma and Statutory Forecast Information for 1H FY22F. The compilation of the 52 weeks ending 26 December 2021 has been prepared by adding the half-year ending 26 December 2021 to the year ending 27 June 2021 and deducting the half-year ended 28 December 2020.

In preparing the Pro Forma Forecast Financial Information, pro forma adjustments have been made to the Statutory Forecast Financial Information to reflect the following:

- the estimated incremental costs of being a publicly listed company, including additional Board and governance costs, incremental audit, tax, legal and compliance related costs, ASX listing fees and incremental executive remuneration (including long-term incentives) assuming Completion had occurred on 2 July 2018;
- in respect to the VDB Group, the inclusion of the income statement and cash flows from 2 July 2018 to the date of the VDB Acquisition;
- the removal of transaction costs associated with the Offer included within the Statutory Forecast Financial Information as an expense;
- the impact of the Offer including capital raised and the capital structure in place following the Offer;
- the removal of acquisition and restructuring costs paid to advisers in relation to the Lynch Group's historical acquisitions and refinancing activities;
- the removal of the non-recurring benefit of the JobKeeper Payment received by the Lynch Group;
- the costs relating to the previous board structure have been added back on the basis that these costs will be replaced by the new board structure contained in the pro forma adjustments relating to incremental costs associated with being a publicly listed company; and
- the tax effect of the above adjustments and the application of a pro forma effective income tax rate which is expected to be applicable going forward.

Section 4.3.4 sets out the pro forma adjustments made to the Statutory Forecast Income Statements and a reconciliation to the Statutory Forecast Income Statements to the Pro Forma Forecast Income Statements.

4.2.5 Changes in accounting standards

The Lynch Group adopted AASB 16 *Leases* (**AASB 16**) on 1 July 2019. The accounting treatment for a lessee under AASB 117 *Leases* (**AASB 117**) was based on categorising the lease either as a finance lease (recognised in the statement of financial position) or an operating lease (not recognised in the statement of financial position). Under AASB 16, the Lynch Group is required to recognise a lease liability and a right-of-use asset in the statement of financial position for most leases. As a result of the adoption of AASB 16, operating expenses decrease and depreciation and interest expense increase, and the timing of expense recognition changes due to the change from a straight-line rental expense to depreciation and interest expense (with interest expense having an accelerated profile). This Prospectus presents the Pro Forma Historical Financial Information for FY19 and FY20 and 1H FY20 and 1H FY21 on a consistent basis to illustrate the impact of AASB 16, had the standard been applied from 2 July 2018. Refer to Section 4.3.5 for further detail on the quantification of this impact.

4.2.6 Explanation of certain non-IFRS financial measures

The Lynch Group uses certain measures to manage and report on the business that are not recognised under AAS or IFRS. These measures are collectively referred in this Section 4 and under ASIC Regulatory Guide 230 Disclosing Non-IFRS Financial Information as **non-IFRS financial measures**.

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS.

Although the Lynch Group believes these non-IFRS financial measures provide useful information for measuring the financial performance and condition of the business, they should be considered as supplements to the consolidated income statement and consolidated cash flows measures that have been presented in accordance with the AAS and IFRS, not as a replacement for them. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, the Lynch Group uses the following non-IFRS financial measures:

- **"Raw materials, consumables and other direct costs"** includes the direct costs related to generating revenue such as raw materials, consumables, purchases from third parties, contractor expenses, freight expenses and direct variable labour used in producing floral and potted products for customers. However, this excludes the impact of fair value accounting for biological assets;
- **"Operating margin"** is revenue less raw materials, consumables and other direct costs;
- **"EBITDA"** is earnings before interest, tax, depreciation and amortisation;
- **"NPATA"** is net profit after tax adjusted for acquired amortisation. Acquired amortisation comprises the amortisation of acquired intangibles assets;
- **"Cash generated from operations"** means EBITDA adjusted for changes in working capital and non-cash items;
- **"Net cash flow before financing activities"** means cash flow from operating activities after lease payments, the removal of payments made for the acquisition of businesses and investments in associates, and payments for capital expenditure;
- **"Net cash flow before Offer impacts"** means net cash flow before interest and tax, after debt drawdowns (repayments), net interest payments and tax paid;
- **"Net cash flow"** means net cash flow before Offer impacts after proceeds from issue of shares, repayments of borrowings and costs of the Offer;
- **"Cash flow conversion"** means pro forma cash generated from operations divided by pro forma EBITDA;
- **"Working capital"** is the sum of current account receivables, inventories and prepayments less the sum of current accounts payables, current tax liabilities, current portion of lease liabilities, and accruals; and
- **"Net debt"** represents total borrowings and lease liabilities less cash and cash equivalents.

4.2.7 Foreign currency

The Lynch Group transacts in currencies other than the Lynch Group's functional currency, the Australian Dollar (**AUD**), most notably the Chinese Yuan (**CNY**), and the United States Dollar (**USD**). The Lynch Group's Australian sales are made in AUD and the Lynch Group's China sales are made in a combination of CNY and USD. The Lynch Group's cost of sales is predominantly in AUD, CNY and USD with other currencies making up an immaterial amount.

The Lynch Group's earnings are exposed to the net impact of movements in foreign exchange rates on the Lynch Group's sales and costs in the foreign currencies in which the services are provided, and hence are subject to both realised and unrealised gains and losses on foreign currency movements. The Lynch Group's domestic operations in China are denominated in CNY and the potential impacts on the Lynch Group's EBITDA and NPATA of movements in this currency in CY21F are considered in Section 4.10. A proportion of the Lynch Group's third-party product purchases are denominated in USD and the potential impacts on the Lynch Group's EBITDA and NPATA of movements in this currency in CY21F are considered in Section 4.10.

The Lynch Group has historically used derivative contracts to hedge foreign exchange risk that is not already mitigated by natural hedges within its operations. The Lynch Group's policy is to hedge 50% of expected USD purchases that are forecast to be incurred over a forward 6-month period. The remainder is then purchased on short-term hedges for a duration of less than 1-month, or at spot, when the Lynch Group has a greater level of certainty of expected purchases. There is a structural hedge within the business where changes in the exchange rate between AUD and USD for purchases made by the Lynch Group's Australian business may be partially offset by changes in the AUD and CNY exchange rate on profits generated in China.

4.3 Historical and Forecast Income Statements

4.3.1 Pro Forma Income Statements and Statutory Forecast Income Statements

Table 4.2 summarises the Lynch Group's Pro Forma Historical Results for FY19 and FY20, Pro Forma Forecast Results for FY21F and CY21F and Statutory Results for FY21F.

Table 4.2: Pro Forma and Statutory Income Statements

		Pro Forma Historical		Pro Forma Forecast		Statutory
A$ millions	**Note**	**FY19**	**FY20**	**FY21F**	**CY21F**	**FY21F**
Revenue	1	254.2	255.2	316.1	329.0	288.8
Raw materials, consumables and other direct costs	2	(199.2)	(191.8)	(230.8)	(241.8)	(216.5)
Operating margin		**55.1**	**63.4**	**85.3**	**87.3**	**72.3**
Employee benefits expense		(15.0)	(16.8)	(16.1)	(16.5)	(17.5)
Marketing expenses		(1.7)	(0.9)	(1.3)	(1.3)	(1.2)
Occupancy expenses	3	(1.9)	(1.7)	(1.8)	(2.1)	(2.0)
Other expenses		(13.2)	(14.2)	(13.7)	(13.4)	(22.2)
Operating expenses		**(31.9)**	**(33.5)**	**(33.0)**	**(33.3)**	**(43.0)**
Other income	4	–	0.5	0.1	–	14.3
Share of profits of associate	5	–	–	–	–	1.1
EBITDA		**23.2**	**30.4**	**52.4**	**54.0**	**44.7**
Depreciation expense		(7.9)	(9.2)	(9.2)	(10.3)	(6.6)
Amortisation expense		(8.0)	(7.5)	(6.9)	(6.5)	(5.2)
Interest expense		(3.5)	(3.5)	(3.4)	(3.4)	(4.0)
Profit before tax		**3.7**	**10.1**	**32.8**	**33.8**	**28.8**
Income tax expense		(1.5)	(3.4)	(8.9)	(9.0)	(6.5)
Profit for the year		**2.2**	**6.8**	**23.9**	**24.8**	**22.3**
Amortisation of acquired intangibles (net of tax)	6	5.5	5.4	4.8	4.5	3.3
NPATA		**7.7**	**12.1**	**28.7**	**29.3**	**25.7**

Notes:

1. **Revenue:** is derived from selling floral and potted products to wholesalers and retailers in Australia and China, and is calculated net of credits, rebates and discounts.
2. **Raw materials, consumables and other direct costs:** represents the costs of purchasing flowers, pots and other consumables from third parties, contractor expenses as well as direct production labour and outward freight. It also includes the costs involved in growing flowers on the Lynch Farms. Raw materials, consumables and other direct costs are presented excluding the impact of unrealised portion of the fair value adjustment of biological assets.
3. **Occupancy expenses:** includes certain lease related costs and outgoings (not subject to AASB 16). Rental charges are now captured as part of depreciation and interest following the introduction of the AASB 16 accounting standards. Outgoings relate to expenses such as utilities and low value leases, which are driven by property related activities for both the Lynch Group's business in Australia and China.
4. **Other income:** other income includes the non-recurring benefit of the JobKeeper Payment received by the Lynch Group and includes the impact of unrealised portion of the fair value adjustment of biological assets. Other income also includes the non-cash gain on disposal of the 20% interest in the VDB Group as a result of the acquisition of the remaining 80% interest shortly prior to Completion of the Offer.
5. **Share of profits of associate:** reflects the equity accounted share of profits in relation to the historical investment in the VDB Group. Share of profits in associate is removed as a pro forma adjustment.
6. **Amortisation of acquired intangibles (net of tax):** relates to the tax effected amortisation of acquired intangibles assets, including in relation to the acquisition of the remaining 80% interest in the VDB Group on a pro forma basis.

4.3.2 Half Year Income Statements

Table 4.3 sets out the Pro Forma Historical Results for the half years 1H FY20 and 1H FY21 and Statutory and Pro Forma Forecast Results for the half year 1H FY22F.

Table 4.3: Historical Statutory and Pro Forma Half Year Income Statements

		Pro Forma Historical		Statutory and Pro Forma Forecast
A$ millions	Note	1H FY20	1H FY21	1H FY22F
Revenue	1	126.7	154.8	167.7
Raw materials, consumables and other direct costs	2	(97.6)	(112.5)	(123.4)
Operating margin		**29.1**	**42.3**	**44.3**
Employee benefits expense		(8.2)	(8.1)	(8.4)
Marketing expenses		(0.2)	(0.5)	(0.5)
Occupancy expenses	3	(1.0)	(0.6)	(0.9)
Other expenses		(6.6)	(7.1)	(6.8)
Operating expenses		**(16.0)**	**(16.3)**	**(16.6)**
Other income	4	0.5	0.1	–
Share of profits of associate	5	–	–	–
EBITDA		**13.6**	**26.1**	**27.7**
Depreciation expense		(4.3)	(4.5)	(5.5)
Amortisation expense		(3.7)	(3.7)	(3.2)
Interest expense		(1.8)	(1.8)	(1.7)
Profit before tax		**3.8**	**16.3**	**17.3**
Income tax expense		(0.9)	(4.4)	(4.9)
Profit for the year		**3.0**	**11.8**	**12.4**
Amortisation of acquired intangibles (net of tax)	6	2.6	2.6	2.3
NPATA		**5.6**	**14.4**	**14.7**

Refer to Table 4.2 Notes.

4.3.3 Statutory Historical Income Statements

Table 4.4 sets out the statutory historical results for the financial years FY19 and FY20 and the half years 1H FY20 and 1H FY21.

Table 4.4: Historical Statutory Income Statements

		Statutory Historical FY		Statutory Historical HY	
A$ millions	**Note**	**FY19**	**FY20**	**1H FY20**	**1H FY21**
Revenue	1	233.8	230.4	114.3	138.4
Raw materials, consumables and other direct costs	2	(189.1)	(177.7)	(94.4)	(104.7)
Operating margin		**44.7**	**52.7**	**19.9**	**33.7**
Employee benefits expense		(13.1)	(14.6)	(7.3)	(8.0)
Marketing expenses		(1.6)	(0.8)	(0.2)	(0.4)
Occupancy expenses	3	(5.5)	(2.3)	(1.3)	(0.8)
Other expenses		(12.5)	(14.8)	(6.7)	(8.2)
Operating expenses		**(32.8)**	**(32.6)**	**(15.6)**	**(17.4)**
Other income	4	–	3.3	3.7	3.2
Share of profits of associate	5	–	0.7	0.5	0.9
EBITDA		**12.0**	**24.1**	**8.6**	**20.5**
Depreciation expense		(1.8)	(5.0)	(2.4)	(2.6)
Amortisation expense		(5.7)	(5.3)	(2.6)	(2.5)
Interest expense		(5.5)	(5.1)	(2.6)	(2.1)
Profit/(loss) before tax		**(1.1)**	**8.7**	**0.9**	**13.2**
Income tax expense		0.3	(2.8)	(0.2)	(4.1)
Profit/(loss) for the year		**(0.8)**	**5.8**	**0.7**	**9.1**

Refer to Table 4.2 Notes.

4.3.4 Pro forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statements

Table 4.5 sets out the pro forma adjustments that have been made to revenue in the historical and forecast periods.

Table 4.5: Pro forma adjustments to Statutory Historical and Forecast Revenue

		Historical		Forecast		Historical	
A$ millions	**Note**	**FY19**	**FY20**	**FY21F**	**CY21F**	**1H FY20**	**1H FY21**
Statutory Revenue		**233.8**	**230.4**	**288.8**	**318.1**	**114.3**	**138.4**
VDB Group	1	21.4	24.8	27.3	10.9	12.4	16.4
Discontinued operations	3	(1.0)	–	–	–	–	–
Pro forma revenue		**254.2**	**255.2**	**316.1**	**329.0**	**126.7**	**154.8**

Refer to Table 4.8 Notes.

Table 4.6 sets out the pro forma adjustments that have been made to EBITDA in the historical and forecast periods.

Table 4.6: Pro forma adjustments to Statutory Historical and Forecast EBITDA

		Historical		Forecast		Historical	
A$ millions	**Note[11]**	**FY19**	**FY20**	**FY21F**	**CY21F**	**1H FY20**	**1H FY21**
Statutory EBITDA		**12.0**	**24.1**	**44.7**	**52.0**	**8.6**	**20.5**
VDB Group profit for the year	1	6.2	7.3	9.7	3.4	4.2	6.3
VDB Group gain from disposal	2	–	–	(11.1)	(11.1)	–	–
Discontinued operations	3	0.9	0.5	–	–	0.5	–
Offer costs	4	–	–	11.7	10.2	–	1.5
Public company costs	5	(2.0)	(2.0)	(1.5)	(0.5)	(1.0)	(1.0)
AASB 16 adoption	6	4.5	0.8	0.3	–	0.4	0.3
Acquisition and restructuring costs	7	0.6	1.9	1.6	–	0.6	1.6
Net JobKeeper payment	8	–	(2.8)	(3.2)	–	–	(3.2)
Legacy ownership costs	9	1.0	0.6	0.2	–	0.3	0.2
Pro Forma EBITDA		**23.2**	**30.4**	**52.4**	**54.0**	**13.6**	**26.1**

Refer to Table 4.8 Notes.

Table 4.7 sets out the pro forma adjustments that have been made to the profit in the historical and forecast periods.

Table 4.7: Pro forma adjustments to Statutory Historical and Forecast profit for the year

		Historical		Forecast		Historical	
A$ millions	**Note**	**FY19**	**FY20**	**FY21F**	**CY21F**	**1H FY20**	**1H FY21**
Statutory profit/(loss) for the year		**(0.8)**	**5.8**	**22.3**	**25.9**	**0.7**	**9.1**
VDB Group profit for the year	1	0.6	0.9	3.2	1.3	1.3	2.4
VDB Group gain from disposal	2	–	–	(11.1)	(11.1)	–	–
Discontinued operations	3	0.6	0.3	–	–	0.3	–
Offer costs	4	–	–	10.4	8.8	–	1.2
Public company costs	5	(1.5)	(1.5)	(1.1)	(0.4)	(0.7)	(0.7)
AASB 16 adoption	6	(0.9)	(0.0)	(0.0)	–	(0.0)	(0.0)
Acquisition and restructuring costs	7	0.4	1.3	1.5	–	0.4	1.5
Net JobKeeper payment	8	–	(2.0)	(2.2)	–	–	(2.2)
Legacy ownership costs	9	0.7	0.4	0.1	–	0.2	0.1
Revised capital structure	10	3.0	1.4	0.7	0.3	0.7	0.4
Pro Forma profit/(loss) for the year		**2.2**	**6.8**	**23.9**	**24.8**	**3.0**	**11.8**

Refer to Table 4.8 Notes.

Table 4.8 sets out the pro forma adjustments that have been made to NPATA in the historical and forecast periods.

Table 4.8: Pro forma adjustments to Statutory Historical and Forecast NPATA

		Historical		Forecast		Historical	
A$ millions	**Note1[1]**	**FY19**	**FY20**	**FY21F**	**CY21F**	**1H FY20**	**1H FY21**
Statutory NPATA		**2.7**	**9.2**	**25.7**	**29.9**	**2.3**	**10.7**
VDB Group profit for the year	1	2.6	2.9	4.7	1.8	2.3	3.4
VDB Group gain from disposal	2	–	–	(11.1)	(11.1)	–	–
Discontinued operations	3	0.6	0.3	–	–	0.3	–
Offer costs	4	–	–	10.4	8.8	–	1.2
Public company costs	5	(1.5)	(1.5)	(1.1)	(0.4)	(0.7)	(0.7)
AASB 16 adoption	6	(0.9)	(0.0)	(0.0)	–	(0.0)	(0.0)
Acquisition and restructuring costs	7	0.4	1.3	1.5	–	0.4	1.5
Net JobKeeper payment	8	–	(2.0)	(2.2)	–	–	(2.2)
Legacy ownership costs	9	0.7	0.4	0.1	–	0.2	0.1
Revised capital structure	10	3.0	1.4	0.7	0.3	0.7	0.4
Pro Forma NPATA		**7.7**	**12.1**	**28.7**	**29.3**	**5.6**	**14.4**

Notes:

1. **VDB Group profit for the year:** reflects the inclusion of profit of the VDB Group assuming it was wholly owned from 2 July 2018. This adjustment is offset by the removal of the pro forma amortisation of acquired intangibles that arises from the acquisition of the remaining 80% interest in the VDB Group.
2. **VDB Group gain on disposal:** reflects the non-cash gain on disposal of the initial 20% interest in the VDB Group ($11.1 million). This non-cash gain on disposal has been removed in FY21F and CY21F.
3. **Discontinued operations:** reflects the removal of revenue and losses from the Lynch Group's online Australian retail division. The online Australian retail division ceased trading in September 2018 with wind up and legacy costs (such as rent) incurred through to September 2019.
4. **Offer costs:** reflects the amounts forecast to be expensed in FY21F and CY21F in relation to the Offer (fees payable to advisers, Joint Lead Managers, Management, tax, accounting and legal fees) and the listing on the ASX. $6.9 million of the Offer costs are netted off against issued capital. Offer costs are lower in CY21F as $1.5 million was accrued as at 27 December 2020.
5. **Public company costs:** reflects the increase in corporate costs expected to arise as a consequence of the Lynch Group becoming a publicly listed company. The costs principally relate to Board and governance (Non-Executive Directors, Audit and Remuneration Committee), additional legal and company secretarial costs as well as an increase in administrative resources and investor relations. Public company costs also include the incremental executive remuneration expenses to align with the fixed, short-term and long-term incentives agreed with Executive Managers going forward.
6. **AASB 16 adoption:** the Lynch Group adopted AASB 16 from FY20 onwards and a pro forma adjustment has been applied in FY19 that results in removing relevant leases expenses partially offset by recording an interest expense and a depreciation charge in relation to the right of use asset recognised in the statement of financial position.
7. **Acquisition and restructuring costs:** reflect amounts paid to advisers and transaction cost in relation to the Lynch Group's historical acquisitions and refinancing activities.
8. **Net JobKeeper Payment:** reflects the removal of the non-recurring benefit to FY20 and FY21F earnings of the JobKeeper Payment received from the Australian Government. It reflects the amount of subsidy received by the Lynch Group to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Lynch Group. This adjustment does not include the additional JobKeeper Payment amounts of $0.8 million received by the Lynch Group in FY20 and paid to staff who were not working, or where wages of staff who worked were below the relevant minimum threshold, as there was no net benefit to the Lynch Group's earnings from the receipt of these amounts as they were passed directly through to staff.
9. **Legacy ownership costs:** relate to board and consultancy fees paid in relation to the legacy board structure. This has been replaced by the costs of the new board structure which is included in the public company costs pro forma adjustment.
10. **Revised capital structure:** reflects the impact of removing interest on shareholder loans that will the repaid at the time of the Offer and replacing interest expenses in relation to the existing debt facilities with a pro forma interest expense in relation to the new debt facility which will be put in place at or near to the time of the Offer.
11. **Income tax:** The pro forma adjustments outlined above have been presented on a tax effected basis.

4.3.5 Reconciliation of the impact of AASB 16

Table 4.9 sets out the impact on pro forma EBITDA, EBIT and NPATA due to the adoption of AASB 16.

Table 4.9: Reconciliation of the impact of AASB 16

	Historical		Historical	
A$ millions	**FY19**	**FY20**	**1H FY20**	**1H FY21**
EBITDA (pre AASB 16)	**18.7**	**25.1**	**11.0**	**23.4**
Decrease in operating lease expense	4.5	5.3	2.6	2.7
EBITDA (post AASB 16)	**23.2**	**30.4**	**13.6**	**26.1**
EBIT (pre AASB 16)	**6.7**	**12.3**	**4.9**	**17.4**
Decrease in operating lease expense	4.5	5.3	2.6	2.7
Increase in depreciation of right of use asset	(3.9)	(3.9)	(1.9)	(2.1)
EBIT (post AASB 16)	**7.3**	**13.7**	**5.6**	**18.0**
NPATA (pre AASB 16)	**8.3**	**12.2**	**5.6**	**14.4**
Decrease in operating lease expense	3.1	3.7	1.8	1.9
Increase in depreciation of right of use asset	(2.7)	(2.7)	(1.4)	(1.5)
Increase in interest expense	(1.0)	(1.0)	(0.5)	(0.5)
NPATA (post AASB 16)	**7.7**	**12.1**	**5.6**	**14.4**

4.4 Segment information

The Lynch Group operates in two key geographic segments: Australia and China (which includes the VDB Group on a pro forma basis).

Due to intercompany trading between the Lynch Group's Australian and China segments, the segment disclosure also shows an Intersegment Elimination that eliminates sales between the Lynch Group's business in Australia and China.

Business support costs including executives, finance, legal, information services, human resources, board fees and other public company cost that are not directly attributable to a specific segment are included in the Lynch Group's Australian segment, which is the Lynch Group's largest operating segment, on the basis that this segment utilises the majority of these resources.

Table 4.10 sets out Pro Forma Historical Revenue by segment for FY19, FY20, 1H FY20 and 1H FY21 and Pro Forma Forecast Revenue for FY21F and CY21F.

Table 4.10: Segment Pro Forma Revenue by region

	Pro Forma Historical		Pro Forma Forecast		Pro Forma Historical	
A$ millions	**FY19**	**FY20**	**FY21F**	**CY21F**	**1H FY20**	**1H FY21**
Lynch Group – Australia	232.4	227.2	279.2	288.0	113.3	137.6
Lynch Group – China	39.0	42.7	54.1	60.6	20.8	25.1
Intersegment Eliminations	(17.1)	(14.8)	(17.2)	(19.6)	(7.4)	(7.9)
Total Revenue	**254.2**	**255.2**	**316.1**	**329.0**	**126.7**	**154.8**

Table 4.11 sets out Pro Forma Historical EBITDA by segment for FY19, FY20, 1H FY20 and 1H FY21 and Pro Forma Forecast EBITDA for FY21F and CY21F.

Table 4.11: Segment Pro Forma EBITDA by region

	Pro Forma Historical		Pro Forma Forecast		Pro Forma Historical	
A$ millions	**FY19**	**FY20**	**FY21F**	**CY21F**	**1H FY20**	**1H FY21**
Lynch Group – Australia	13.5	18.9	35.4	36.5	7.2	17.5
Lynch Group – China	9.6	11.4	17.0	17.5	6.4	8.7
Total EBITDA	**23.2**	**30.4**	**52.4**	**54.0**	**13.6**	**26.1**

Table 4.12 sets out Statutory Historical Revenue by segment for FY19, FY20, 1H FY20 and 1H FY21.

Table 4.12: Segment Statutory Revenue by region

	Statutory Historical		Statutory Historical	
A$ millions	**FY19**	**FY20**	**1H FY20**	**1H FY21**
Lynch Group – Australia	233.3	227.2	113.3	137.6
Lynch Group – China	17.6	18.0	8.4	8.7
Intersegment Eliminations	(17.1)	(14.8)	(7.4)	(7.9)
Total Revenue	**233.8**	**230.4**	**114.3**	**138.4**

Table 4.13 sets out Statutory Historical EBITDA by segment for FY19, FY20, 1H FY20 and 1H FY21.

Table 4.13: Segment Statutory EBITDA by region

	Statutory Historical		Statutory Historical	
A$ millions	**FY19**	**FY20**	**1H FY20**	**1H FY21**
Lynch Group – Australia	9.5	20.0	6.4	18.1
Lynch Group – China	2.5	4.1	2.1	2.4
Total EBITDA	**12.0**	**24.1**	**8.6**	**20.5**

4.5 Key Pro Forma Operating and Financial Metrics

Table 4.14 sets out a summary of the key historical and forecast pro forma financial metrics for the Lynch Group and reporting segments.

Table 4.14: Key operating metrics FY19 to 1H FY22F

		Pro Forma Historical		Pro Forma Forecast		Pro Forma Historical		Statutory and Pro Forma Forecast
A$ millions	**Note**	**FY19**	**FY20**	**FY21F**	**CY21F[4]**	**1H FY20**	**1H FY21**	**1H FY22F**
Lynch Group								
Revenue growth			0.4%	23.9%	16.1%		22.2%	8.4%
Operating margin % (operating margin/ revenue)		21.7%	24.8%	27.0%	26.5%	23.0%	27.3%	26.4%
EBITDA margin % (EBITDA/revenue)		9.1%	11.9%	16.6%	16.4%	10.7%	16.9%	16.5%
Cash flow conversion	1	63.3%	120.9%	96.3%	98.1%	103.6%	99.6%	97.4%
Lynch Group – Australia								
Revenue growth			(2.2%)	22.9%	14.5%		21.5%	6.4%
Floral revenue growth			(4.6%)	22.7%	13.9%		21.1%	5.1%
Potted revenue growth			9.9%	23.8%	16.9%		23.0%	11.3%
EBITDA margin % (EBITDA/revenue)		5.8%	8.3%	12.7%	12.7%	6.4%	12.7%	12.7%
Lynch Group – China								
Average productive farm area (ha)	2	38.1	45.8	57.5	62.8	40.6	53.0	62.8
Revenue per sqm ($)	3	61.8	56.3	65.5	63.6	31.0	35.1	33.2
Revenue growth			9.6%	26.5%	29.0%		20.5%	26.1%
EBITDA margin % (EBITDA/revenue)		24.7%	26.8%	31.4%	28.9%	30.6%	34.5%	29.1%

Notes:

1. **Cash flow conversion:** Pro forma cash generated from operations divided by pro forma EBITDA.
2. **Average productive farm area (ha):** reflects the average number of hectares available for productive farming. It is calculated as the productive farm area at the beginning of a period plus the productive farm area at the end of a period, divided by two.
3. **Revenue per sqm:** Revenue per sqm reflects farm revenue in a period divided by the average number of square meters of productive farmland used to grow sellable product.
4. **CY21F** growth metrics are on the prior corresponding period.

4.6 Historical and Forecast Cash Flows

4.6.1 Pro Forma Historical and Statutory and Pro Forma Forecast Cash Flows

Table 4.15 summarises the Pro Forma Historical Cash Flows and Statutory and Pro Forma Forecast Cash Flows.

Table 4.15: Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

		Pro Forma Historical		Pro Forma Forecast		Statutory
A$ millions	**Note**	**FY19**	**FY20**	**FY21F**	**CY21F**	**FY21F**
EBITDA		**23.2**	**30.4**	**52.4**	**54.0**	**44.7**
Changes in working capital	1	(8.5)	6.4	(1.9)	(1.0)	(1.7)
Non-cash items	2	–	–	–	–	(10.5)
Cash generated from operations		**14.7**	**36.7**	**50.4**	**52.9**	**32.5**
Repayment of leases		(3.0)	(3.1)	(3.6)	(3.4)	(3.1)
Payment for acquisitions	3	(11.9)	(10.1)	–	–	–
Capital expenditure		(7.1)	(7.2)	(19.2)	(21.2)	(13.8)
Net cash flow before financing activities		**(7.3)**	**16.4**	**27.6**	**28.3**	**15.5**
Repayment of borrowings	4			–	–	(9.8)
Net interest payments				(2.3)	(2.1)	(2.1)
Tax paid				(9.6)	(9.9)	(7.6)
Net cash flow before Offer impacts				**15.7**	**16.4**	**(4.0)**
Proceeds from issue of shares	5					70.9
Payment for acquisitions	6					(30.5)
Repayment of shareholder loans	7					(11.4)
Cost of the offer (capitalised)	8					(6.9)
Net cash flow						**18.1**

Notes:

1. **Working capital:** the sum of current account receivables, inventories and prepayments less the sum of current accounts payables, current portion of lease liabilities, current tax liabilities and accruals.
2. **Non-cash items:** reflects the non-cash gain on the disposal of the initial 20% interest in the VDB Group ($11.1 million) offset by the non-cash share based payments in relation to the Employee Gift Offer ($0.4 million) and non-executive director share offer ($0.2 million).
3. **Payment for acquisitions:** reflects the cash payment for acquisitions in FY19 and the initial investment in the VDB Group in FY20 (September 2019).
4. **Repayment of borrowings:** reflects the net impact of the settlement of the Lynch Group's existing senior debt facility and the drawdown of the new senior debt facility which is expected to occur at or near the time of the Offer.
5. **Proceeds from issue of shares:** represent the cash inflow from the primary raise of $127.4 million less the impact of the pre-IPO dividend of $56.5m.
6. **Payment for acquisitions:** reflects the cash payment for the remaining 80% interest in the VDB Group, net of cash in the VDB Group's statement of financial position as at 27 December 2020.
7. **Repayment of shareholder loans:** represents the repayment of shareholder loans at the time of the Offer.
8. **Costs of the offer (capitalised):** reflects the payment of Offer costs not recognised in the income statement.

4.6.2 Half Year Cash Flows

Table 4.16 sets out Historical and Statutory Pro Forma Cash Flows for half years 1H FY20, 1H FY21 and 1H FY22F.

Table 4.16: Historical and Statutory Pro Forma Cash Flows for 1H FY20, 1H FY21 and 1H FY22F

		Pro Forma Historical		Statutory and Pro Forma Forecast
A$ millions	Note	1H FY20	1H FY21	1H FY22F
EBITDA		**13.6**	**26.1**	**27.7**
Changes in working capital	1	0.5	(0.1)	(0.7)
Cash generated from operations		**14.1**	**26.0**	**27.0**
Repayment of leases		(1.5)	(1.6)	(1.7)
Payment for acquisitions	3	(10.1)	–	–
Capital expenditure		(5.0)	(6.2)	(8.3)
Net cash flow before financing activities		**(2.5)**	**18.2**	**17.0**
Proceeds/(Repayment) of borrowings	4			–
Net interest payments				(0.9)
Tax paid				(5.1)
Net cash flow before Offer impacts				**11.0**

Refer to Table 4.15 Notes.

4.6.3 Statutory Historical Half Year Cash Flows

Table 4.17 sets out the Statutory Cash Flows for the financial years FY19 and FY20 and half years 1H FY20 and 1H FY21.

Table 4.17: Statutory Historical Cash Flows

		Statutory Historical FY		Statutory Historical HY	
A$ millions	Note	FY19	FY20	1H FY20	1H FY21
EBITDA		**12.0**	**24.1**	**8.6**	**20.5**
Changes in working capital	1	(8.3)	6.5	0.1	(0.1)
Cash generated from operations		**3.7**	**30.6**	**8.7**	**20.4**
Repayment of leases		–	(2.1)	(1.0)	(1.2)
Payment for acquisitions	3	(11.9)	(10.1)	(10.1)	–
Capital expenditure		(5.6)	(3.7)	(2.5)	(2.6)
Net cash flow before financing activities		**(13.8)**	**14.8**	**(4.9)**	**16.6**
Proceeds/(Repayment) of borrowings	4	7.3	(4.5)	(1.1)	(3.1)
Net interest payments		(4.0)	(4.2)	(2.2)	(1.6)
Tax paid		(1.8)	(3.7)	(0.9)	(5.1)
Net cash flow before Offer impacts		**(12.3)**	**2.4**	**(9.1)**	**6.9**
Proceeds from issue of shares	5	0.4	–	–	–
Repayment of shareholder loans	7	–	10.7	10.7	–
Net cash flow		**(11.9)**	**13.1**	**1.7**	**6.9**

Refer to Table 4.15 Notes.

4.6.4 Pro forma adjustments to the Statutory Historical and Forecast Cash Flows

Table 4.18 sets out a reconciliation of the historical and pro forma cash flows of the Lynch Group.

Table 4.18: Reconciliation of Statutory net cash flow before interest and tax to Pro Forma net cash flow before interest and tax

		Historical		Forecast		Historical	
A$ millions	**Note**	**FY19**	**FY20**	**FY21F**	**CY21F**	**1H FY20**	**1H FY21**
Statutory net cash flow before financing activities		**(13.8)**	**14.8**	**15.5**	**17.8**	**(4.9)**	**16.6**
VDB Group	1	4.5	3.4	3.9	1.4	2.1	2.4
Discontinued operations	2	0.9	0.5	–	–	0.5	–
Offer costs	3	–	–	11.1	9.6	–	1.5
Public company costs	4	(2.0)	(2.0)	(1.5)	(0.5)	(1.0)	(1.0)
AASB 16 adoption	5	1.5	–	–	–	–	–
Acquisition and restructuring costs	6	0.6	1.9	1.6	–	0.6	1.6
Net JobKeeper payment	7	–	(2.8)	(3.2)	–	–	(3.2)
Legacy ownership costs	8	1.0	0.6	0.2	–	0.3	0.2
Pro Forma net cash flow before financing activities		**(7.3)**	**16.4**	**27.6**	**28.3**	**(2.5)**	**18.2**

Notes:

1. **VDB Group:** reflects the net cash flow before financing activities of the VDB Group.
2. **Discontinued operations:** reflects the removal of revenue and losses from the Lynch Group's online Australian retail division. The online Australian retail division ceased trading in September 2018 with wind up and legacy costs (such as rent) incurred through to September 2019.
3. **Offer costs:** reflects the amounts forecast to be expensed in FY21F and CY21F in relation to the Offer (fees payable to advisers, Joint Lead Managers, Management, tax, accounting and legal fees) and the listing on the ASX.
4. **Public company costs**: reflects the increase in corporate costs expected to arise as a consequence of the Lynch Group becoming a publicly listed company. The costs principally relate to Board and governance (Non-Executive Directors, Audit and Remuneration Committee), additional legal and company secretarial costs as well as an increase in administrative resources and investor relations.
5. **AASB 16 adoption:** the Lynch Group adopted AASB 16 from FY20 onwards and a pro forma adjustment has been applied in FY19 that results in removing relevant leases expenses partially offset by recording an interest expense and a depreciation charge in relation to the right-of-use asset recognised in the statement of financial position.
6. **Acquisition and restructuring costs:** reflect amounts paid to advisers and transaction costs in relation to the Lynch Group's historical acquisitions and refinancing activities.
7. **Net JobKeeper payment:** reflects the removal of the non-recurring benefit to FY20 and FY21F earnings of the JobKeeper Payment received from the Australian Government. It reflects the amount of subsidy received by the Lynch Group to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Lynch Group.
8. **Legacy ownership costs:** relate to board and consultancy fees paid in relation to the legacy board structure. This has been replaced by the costs of the new board structure which is included in the public company costs pro forma adjustment.

4.7 Statutory and Pro Forma Historical Statement of Financial Position and Indebtedness

4.7.1 Statutory and Pro Forma Historical Statement of Financial Position

Table 4.19 sets out a summary of the Statutory Historical Statement of Financial Position as at 27 December 2020, adjusted for certain pro forma adjustments to take into account the effect of the Offer and other items as set out below. These adjustments reflect the impact of the change in capital structure that will take place as part of the Offer, as if this occurred on 27 December 2020.

Table 4.19: Statutory and Pro Forma Historical Statements of Financial Position as at 27 December 2020

A$ millions	Statutory 27 Dec 2020	VDB Group[1]	Impact of the Offer[2]	Revised capital structure[3]	Pro Forma 27 Dec 2020
Cash and cash equivalents[4]	22.1	(30.5)	52.9	(24.6)	19.9
Trade and other receivables	24.9	1.7	–	–	26.6
Inventories	8.7	3.0	–	–	11.7
Biological assets	3.3	2.8	–	–	6.1
Other	2.5	0.8	–	–	3.3
Current assets	**61.5**	**(22.2)**	**52.9**	**(24.6)**	**67.5**
Property, plant and equipment	25.4	24.4	–	–	49.8
Right-of-use asset	20.2	4.9	–	–	25.0
Goodwill	84.7	75.9	–	–	160.6
Investment in assoicates	11.3	(11.3)	–	–	–
Other intangible assets	30.9	22.8	–	–	53.6
Deferred tax asset	–	0.1	3.6	–	3.7
Non-current assets	**172.4**	**116.7**	**3.6**	**–**	**292.7**
Assets	**233.9**	**94.5**	**56.5**	**(24.6)**	**360.3**
Trade and other payables	(47.0)	(3.9)	1.5	–	(49.4)
Current tax liabilities	(1.4)	(0.5)	–	–	(1.8)
Borrowings	(59.9)	(2.0)	–	57.8	(4.1)
Lease liabilities	(3.3)	(0.7)	–	–	(3.9)
Provisions	(6.7)	–	–	–	(6.7)
Current liabilities	**(118.2)**	**(7.1)**	**1.5**	**57.8**	**(66.0)**
Borrowings	(12.7)	(3.3)	–	(33.6)	(49.7)
Provisions	(0.9)	(0.4)	–	–	(1.3)
Lease liabilities	(19.5)	(4.5)	–	–	(24.0)
Deferred tax liabilities	(3.6)	(2.9)	–	–	(6.5)
Non-current liabilities	**(36.7)**	**(11.1)**	**–**	**(33.6)**	**(81.5)**
Liabilities	**(155.0)**	**(18.2)**	**1.5**	**24.2**	**(147.4)**
Net assets	**78.9**	**76.3**	**58.0**	**(0.4)**	**212.8**
Issued capital	66.7	65.2	122.4	–	254.4
Reserves	12.2	11.1	(64.4)	(0.4)	(41.5)
Equity	**78.9**	**76.3**	**58.0**	**(0.4)**	**212.8**

Notes:

1. **VDB Group:** the acquisition of the VDB Group has been incorporated into the Pro Forma Historical Statement of Financial Position. When preparing the Pro Forma Financial Information, the Lynch Group has allocated the purchase price to the anticipated fair values of the VDB Group's assets and liabilities including customer relationships ($19.4 million), the VDB Group brand ($3.4 million) offset by a deferred tax liability of $2.9 million in relation to the intangible assets, with the balance being goodwill ($75.9 million); all of which have been included in intangibles. This adjustment also includes consideration for the acquisition of the remaining 80% interest in the VDB Group, being an upfront cash payment of $30.5 million (net of $2.9 million in cash acquired as part of the VDB Acquisition) and issued capital of $65.2 million.
2. **Impact of the offer:** proceeds of $127.4 million will be raised through the issue of new Shares which will be partly used to fund the cash portion of the costs of the Offer of $18.0 million, and a pre IPO dividend of $56.5 million. $6.9 million ($5.0 million tax effected) of Offer costs have been determined to relate to the primary raise and will be offset against equity, while $11.7 million ($7.9 million tax effected and net of a portion of Offer costs accrued at 27 December 2020) will be expensed to the income statement and are recognised in accumulated losses in Table 4.19. Costs of the Offer expensed to the income statement also includes $0.6m of non-cash based share payments which are reflected in issued capital. A deferred tax asset of $3.6 million is recognised based on the income tax benefit of the future deductibility of Offer costs offset against equity, calculated by applying the Australian tax rate of 30% to deductible portion of Offer costs of $12.1 million.
3. **Revised capital structure:** reflects the net cash impact of $24.6 million in relation to the settlement of the Lynch Group's existing bank debt facilities and shareholder loans ($74.1 million) and the drawdown of the new bank debt facility ($50.0 million) offset by a payment of a debt establishment fee ($0.5 million). The new bank debt facility is expected to be in place at or near the time of the Offer.
4. **Cash and cash equivalents:** While the cash impacts of the above pro forma adjustments are closely timed, the anticipated sequencing of funds flow as a result of the Offer will consist of: a statutory cash balance at 27 December 2020 of $22.1 million, plus the drawdown of the new debt facility offset by a payment of debt establishment fee ($49.5 million), less the pre IPO dividend ($56.5 million – note this will be funded with existing cash and new debt only), plus the primary raise ($127.4 million), less the cash consideration paid for the VDB Group ($33.4 million), plus the VDB Group cash balance due to consolidation ($2.9 million), less the repayment of the existing debt and shareholder loans ($74.1 million), less costs of the Offer ($18.0 million), resulting in a pro forma cash balance of $20.2 million.

4.7.2 Statutory and Pro Forma Indebtedness

Table 4.20 sets out a summary of indebtedness as at 27 December 2020, adjusted for certain pro forma adjustments related to the Offer as set out below.

Table 4.20: Statutory and Pro Forma Indebtedness as at 27 December 2020

		Pro Forma Adjustments			
A$ millions	**Statutory 27 December 2020**	**Acquisition of VDB Group[1]**	**Impact of the Offer[2]**	**Impact of new debt structure[3]**	**Pro Forma 27 December 2020**
Net cash/(debt)					
Cash and cash equivalents	22.1	2.9	19.5	(24.6)	19.9
Current loans and borrowings:					
– Borrowings	(59.9)	(2.0)	–	57.8	(4.1)
– Lease liabilities	(3.3)	(0.7)	–	–	(3.9)
Non-current loans and borrowings					
– Borrowings	(12.7)	(3.3)	–	(33.6)	(49.7)
– Lease liabilities	(19.5)	(4.5)	–	–	(24.0)
Net cash/(debt)	**(73.3)**	**(7.7)**	**19.5**	**(0.4)**	**(61.8)**
Net debt/PF FY21F EBITDA	**1.4x**				**1.2x**
Net debt/CY21F EBITDA	**1.4x**				**1.1x**

Refer to Table 4.19 Notes.

4.7.3 Summary of banking facilities

In February 2021, the Lynch Group entered into a new facility agreement with Commonwealth Bank of Australia (**CBA**) under which the following facilities will be available to the Lynch Group at the time of the Offer:

Table 4.21: Summary of New Debt Facilities

A$ millions	Facility size	Estimated amount drawn at Completion of the Offer
Facility A – term loan facility	50.0	50.0
Facility B – capital expenditure and working capital	25.0	–

The CBA facilities A and B are secured by a security interest over all present and after-acquired property of the Lynch Group's business in Australia.

In addition to the new facility arrangements, the Lynch Group also has two separate facilities with Bank of China Limited which include:

Table 4.22: Summary of Other Debt Facilities

A$ millions	Facility size	Estimated amount drawn at Completion of the Offer
Facility A – commercial bill facility	2.2	2.2
Facility B – commercial bill facility	2.0	2.0

The Bank of China commercial bill (**Facility A**) is secured by a first charge over the property, plant and equipment owned by Lynch Group Members in China.

The other Bank of China commercial bill (**Facility B**) has no security. A fee of between 1.5% and 2.5% of the drawn amounts is payable to a third-party as a guarantee fee.

4.7.4 Liquidity and capital resources

Following Completion of the Offer, the Lynch Group's principal source of funds will be cash flow from operations, cash held at Completion of the Offer and committed lines of debt facilities. The Lynch Group expects that it will have sufficient cash flow from operations to meet the Lynch Group's business needs during the forecast period and will have sufficient working capital to carry out its objectives as stated in this Prospectus.

The Lynch Group's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions.

4.7.5 Contractual obligations and commitments

Table 4.23 below summaries the Lynch Group's statutory contractual obligations and commitments as at 27 December 2020.

Table 4.23: Capital and contractual commitments as at 27 December 2020

A$ millions	< 1 year	1-5 year	> 5 years
Committed capital expenditure	1.7	0.8	–

4.8 Forecast Financial Information

The Forecast Financial Information has been prepared based on the Significant Accounting Policies adopted by the Lynch Group, which are in accordance with the AAS and are disclosed in Appendix 2. The Forecast Financial Information is based on various general and specific assumptions concerning future events, including those set out below.

The assumptions below are set out in summary only and do not represent all factors that may affect the Lynch Group's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur.

In preparing the Forecast Financial Information, the Lynch Group has undertaken an analysis of historical performance and applied assumptions in order to forecast future performance for FY21F and CY21F. The Lynch Group believes that the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general and specific assumptions set out in Section 4.8. However, the actual results are likely to vary from the forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the Lynch Group and the Directors and are not reliably predictable.

Accordingly, no assurance is given that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material positive or negative impact on the Forecast Financial Information. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.10, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8.

4.8.1 General assumptions in relation to the Forecast Financial Information

The Forecast Financial Information has been prepared on the following general assumptions:

- there are no material changes in the competitive and operating environment in which the Lynch Group operates;
- there are no significant deviations from current market expectations of economic and market conditions under which the Lynch Group operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of the Lynch Group;
- there are no changes in applicable AAS, IFRS, other mandatory requirements or Corporations Act which could have a material impact on the Lynch Group's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of the Lynch Group;
- there are no material changes in key personnel, including key management personnel. It is also assumed that the Lynch Group will maintain its ability to recruit and retain the personnel required to support the future growth of the Lynch Group;
- there are no significant disruptions to the continuity of operations of the Lynch Group or other material changes in the Business;
- there are no material amendments to any material contract, agreement or arrangement relating to the Lynch Group's business or intellectual property;
- that none of the risks listed in Section 5 eventuates, or if such risks do eventuate, that none of those risks have a material adverse impact on the operations of the Lynch Group; and
- the Offer proceeds are received in accordance with the timetable set out in the Key Dates on page ii of this Prospectus.

Impact of COVID-19

As highlighted in the risks described in Section 5, whilst the full impact of COVID-19 on the floral industry in Australia and China is still unclear, the pandemic is likely to have both negative and positive impacts for the industry and the Lynch Group.

Details on the Lynch Group's operational performance through COVID-19 is set out in Sections 3.3.1 and 3.3.2 and a description of the financial impact is provided in Section 4.9 below.

Other forecast assumptions

The following other assumptions have been made in preparing the FY21F and CY21F forecasts:

- Operating expenses include forecast incremental costs associated with being a public company;
- Depreciation policy and useful life assumptions are forecast to remain consistent with historical levels;
- Amortisation policy and useful life assumptions are forecast to remain consistent with historical levels;
- Interest expenses in relation to lease liabilities and debt finance costs; and
- The following exchange rates have been used:
  - AUD/CNY 5.00
  - AUD/USD 0.72

4.8.2 Specific assumptions in relation to the Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. In preparing the Forecast Financial Information, the Lynch Group has analysed historical performance including current revenue and expenses and applied assumptions, where appropriate, across the Australia and China business segments.

The key specific assumptions across the segments are set out below.

Lynch Group – Australia

- **Revenue:** Forecast revenue is based on expected volume demand from customers multiplied by the expected average selling price. The expected volume demand takes into consideration expected weekly sales forecasts by state, customer, store type (Core or SOR) and product line (floral and potted) with reference to both seasonality and key events (such as Valentine's Day, Mother's Day, Christmas and Spring Potted). 46 Core supermarket customer stores were converted to SOR in 1H FY21, and an additional 20 conversions are scheduled by the end of CY21F. Average selling prices are expected to be largely consistent with current pricing.
- **Operating expenses:** Forecast operating expenses are based on historical trends and factor in certain expected increases.
- **Capital expenditure:** Capital expenditure includes maintenance capital expenditure to sustain current operations, as well as growth capital expenditure. Maintenance capital expenditure for the Australian Business is forecast to be approximately $1.1 million for FY21F and $0.9 million for 1H FY22F, while growth capital expenditure for the Australian Business is forecast to be approximately $0.6 million for FY21F and $0.3 million for 1H FY22F.
- **Working capital:** Working capital balances are forecast based on historical trends, non-perishable inventory levels to support sales growth especially around key event dates, trade receivable and payables balances based on current trading terms with customers and creditors respectively.
- **Depreciation and amortisation:** Forecast depreciation is based on depreciation of both existing property, plant and equipment, forecast capital expenditure and right of use assets recognised under AASB 16. Amortisation expenses relate to the amortisation charge on intangible assets with finite useful lives, mainly comprised of customer relationships.

Lynch Group – China

- **Revenue:** the Lynch Group's revenues in China are forecast by Lynch Farms, based on productive land per variety, expected yields and average selling price by product. Volumes are expected to increase due to production capacity expansion at Changkou and Lufeng, and yield maturation of land already under production at other Lynch Farms in China. Pricing assumptions are based on market pricing, with adjustments made for those customers with fixed price agreements. Aggregated average pricing is expected to increase due to product mix change, including an increase in premium product lines from Lufeng. Revenue forecasts also include expected sales of third-party procured floral products and componentry.
- **Operating expenses:** Forecast operating expenses are based on historical trends and factor in certain expected increases.
- **Capital expenditure:** Capital expenditure includes maintenance capital expenditure undertaken to sustain current revenues and profits, as well as growth capital expenditure, primarily related to production capacity expansion. Maintenance capital expenditure for the Business in China is forecast to be approximately $0.6 million for FY21F and $0.9 million for 1H FY22F, while growth capital expenditure for the Business in China is forecast to be approximately $16.9 million for FY21F and $6.1 million for 1H FY22F. For further detail, refer to Section 4.9.6.
- **Working capital:** Working capital balances are forecast based on historical trends, inventory levels, trade receivable and payables balances based on current trading terms with customers and creditors respectively.
- **Depreciation and amortisation:** Forecast depreciation is based on depreciation of both existing property, plant and equipment, forecast capital expenditure and right of use assets recognised under AASB 16. Amortisation expenses relate to the amortisation charge on intangible assets with finite useful lives, mainly comprised of brand names and customer relationships.

There are a number of business initiatives and operational developments which may drive additional revenue but have not been included in the Forecast Financial Information as the timing and extent of the revenue generation is uncertain. These include (i) revenues from sales to new major customers in the Australian Business, and (ii) incremental revenue from the commencement of operations at the Shanghai Facility, which began operating in January 2021. Please refer to Sections 3.4 and 3.5 for a discussion on the Lynch Group's growth drivers and strategy.

4.9 Management discussion and analysis of the Historical and Forecast Financial Information

Set out below is a discussion of the main drivers of the Lynch Group's historical and forecast financial performance. The discussion is intended to provide a brief summary and does not detail all of the factors that had an impact on the historical operating and financial performance. It also does not include factors which may impact the Lynch Group's operating and financial performance in the future. Unless otherwise stated, all metrics and financial information presented in this section, and the related commentary is on a pro forma basis only. The information in this Section 4 should also be read in conjunction with the general and specific assumptions in Sections 4.8.1 and 4.8.2, the sensitivities in Section 4.10, key risk factors set out in Section 5 and the other information contained in this Prospectus.

4.9.1 Drivers of financial performance

The Lynch Group's primary drivers of financial performance include:

- **Revenue:** the Lynch Group derives revenue from its operations in Australia and China. Revenue is shown net of credits, rebates and discounts. Credits represent unsold product (waste) from the SOR stores, where the Lynch Group is then required to provide a credit to the customer. As a result, a decrease in waste will result in an increase in revenue.

  The Lynch Group's Business in Australia – derives revenue from the sale of floral and potted product predominantly to supermarkets, as described in Section 3.3.1. The key drivers of revenue for the Lynch Group's business in Australia are a combination of both volume demand across various product lines and average selling price. There is a steady, year-round demand for flower consumption in Australia, with critical peaks occurring at key events throughout the year (such as Valentine's Day, Mother's Day). This is further discussed in Section 2.1.3.

  The Lynch Group's Business in China – predominantly derives revenue from the sale of floral products from its farms to the domestic market in China, as described in Section 3.3.2. The key drivers of revenue for the Lynch Group in China are a combination of both yields on available productive land and average selling price.

- **Operating margin:** is the result of revenue less costs associated with purchasing flowers, potted plants and other consumables from third parties or the direct costs of growing flowers and potted plants from the Lynch Farms.

  In addition, operating margin includes the direct labour costs of converting raw products to bouquets and arrangements as well as inbound and outbound freight and in store merchandising. Costs are a combination of fixed and variable costs which can be adjusted to meet the seasonal and event driven requirements of the business.

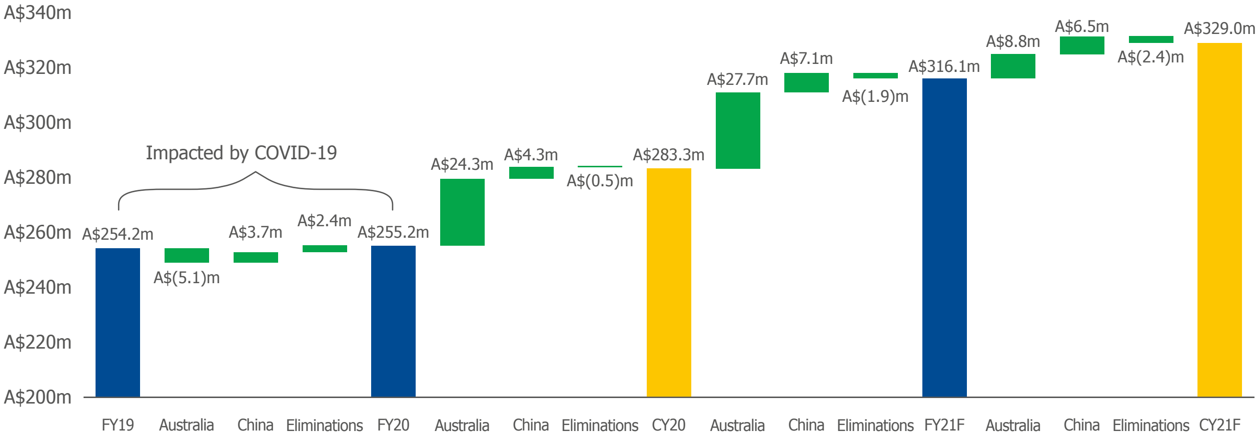
  The Lynch Group is also exposed to foreign exchange movements, in particular movements in the AUD/USD exchange rate for purchasing of flowers particularly during peak demand periods and movements in the AUD/CNY exchange rate for domestic operations of the Business in China. Refer to Section 3.3.1 for further details on the Lynch Group's floral procurement strategy.
- **Operating expenses:** include employee benefits expenses, marketing expenses, occupancy expenses, and other expenses for both the Businesses in Australia and China. Key drivers of these expenses include:
  - **Employee benefits expenses** represent personnel and related costs (including salaries, wages, payroll tax, employee entitlements (such as superannuation in Australia and pension in China and other related employee on-costs associated with corporate operations). Employee expenses for the Business in Australia and China are driven by increases in headcount to support growth.
  - **Marketing expenses** include costs associated with marketing and promotional activities. These costs are largely variable in nature and primarily relate to merchandising activities which are centred around attracting consumers to supermarkets for key events in the Lynch Group's Australian business and the management of social platforms in the Lynch Group's business in China.
  - **Occupancy expenses** includes certain lease related costs and outgoings (not subject to AASB 16). Rental charges are now captured as part of depreciation and interest following the introduction of the AASB 16 accounting standards. Outgoings relate to expenses such as utilities and are driven by property related activities for the Business in both Australia and China.
  - **Other expenses** include expenses for offsite storage for additional cool room capacity during major events for the Business in both Australia and China, travel, professional services fees and other general and administration costs.
- **EBITDA:** the Lynch Group's overall earnings performance is a result of operating leverage achieved from increases in revenues from sales in both Australia and China, the highly variable nature of the cost of input purchases and farm production, and the relatively fixed cost nature of most operating expenses.
- **Capital expenditure:** investment in the Lynch Farms in China is a key driver for the Lynch Group's overall performance. Management maintains a prudent and disciplined approach to capital deployment and generally targets a minimum ROIC of 25%, measured as EBITDA divided by growth capital employed before any debt funding. Capital expenditure is comprised of:
  - **Growth capital expenditure:** the Lynch Group in China has land capacity of 101 hectares, with 65.5 hectares expected to be under production by the end of CY21F. As a result, the Business in China is expected to have a further 35.5 hectares available for further production expansion beyond CY21F, which will be a key opportunity for future volume growth. Refer to Section 3.3.2 for additional information on the Lynch Farms in China; and
  - **Maintenance expenditure:** is expenditure that is undertaken to sustain current revenues and profits. Maintenance capital expenditure typically includes growing equipment, occupational health and safety improvements, quality requirements and equipment replacement.

Trends in the historical and forecast financial performance across these primary drivers are discussed below.

4.9.2 Revenue

Figure 39 provides a revenue bridge from FY19 to CY21F, showing the revenue movements by region between these periods. The "Eliminations" columns in this chart shows the net impact of eliminating sales between the Lynch Group in Australia and China and vice-versa.

Figure 39: FY19 to CY21F Revenue Bridge



FY19 to FY20

From FY19 to FY20, the Lynch Group's revenue increased by $1.0 million from $254.2 million to $255.2 million.

- Lynch Group – Australia: FY20 was adversely affected by COVID-19 interruptions, particularly in March, April and May, where international freight disruptions created supply chain challenges. Due to the prevailing global uncertainty, customers materially reduced orders for Mother's Day in May 2020, which is generally the biggest floral sales event of the year. Despite reduced orders, some floral product lines still sold out prior to this key event day. Refer to Section 3.3.1 for additional information on the Lynch Group's operations in Australia through the COVID-19 period.
- Lynch Group – China: Despite a temporary COVID-19 impact, the Lynch Group's revenue from its Business in China grew modestly in FY20 primarily driven by the expansion of production capacity, the premiumisation of product sales in the China domestic market and a significant increase in the number of Sam's Club stores being supplied as set out in Section 3.3.2.

For the eight month period to February 2020, prior to the COVID-19 market interruptions, the Lynch Group's revenue was 11.6% above its revenue in the prior corresponding period.

1H FY21 (and CY20)

In 1H FY21, the Lynch Group's revenues increased by $28.1 million, or 22.2%, relative to the prior corresponding period, primarily driven by an increase in the Lynch Group's revenue from the Australian Business.

- Lynch Group – Australia: Revenue in 1H FY21 increased by $24.3 million, or 21.5%, relative to the prior corresponding period, primarily as a result of growth in the supermarket and markets channels, driven by a number of Management initiatives.

  Supermarket growth was driven by revenue growth in floral and potted lines supported by:

  - Conversion of 46 stores from Core to SOR during the period allowing the Lynch Group to further optimise products (refer to Section 3.3.1 for further comparison between Core and SOR stores);
  - Range optimisation leading to efficiencies in the supply chain, despite some ongoing supply chain disruptions, which improved speed to market and in turn quality and sell through;
  - Team focus on merchandising across both Core and SOR stores to ensure consistency of product presentation and visual appeal to end customers;
  - Delivery of new and innovative gift potted programs;

  - Strategic pricing benefits in certain straight lines; and
  - Improved waste performance in SOR stores relative to the prior corresponding period, which reduced credits provided to customers and increased net revenue.

  Markets growth was supported by customer acquisition, driving volume and price growth predominantly at the Sydney site. This is as a result of Management's decision to combine the Lynch Group's two Sydney based market operations into a single site at the Sydney Flower Markets in Flemington in FY20.

- Lynch Group – China: Revenue in 1H FY21 increased by $4.3 million, or 20.5%, relative to the prior corresponding period, primarily driven by a significant increase in both production capacity and yield. The Lynch Group's business in China almost doubled its supermarket customer stores through the six month period, from 26 at the start of 1H FY21 to 50 stores at the end of the period across three different supermarket groups. For further details on the Lynch Group's direct-to-consumer opportunity in China refer to Section 3.5.2.

2H FY21F (and FY21F)

The Lynch Group's revenue is forecast to increase by $60.9 million from $255.2 million in FY20 to $316.1 million in FY21F. Revenue generated in 1H FY21 of $154.8 million accounts for approximately 49% of FY21F forecast revenue, versus 46% in FY19 and 50% in the COVID-19 impacted FY20.

The Lynch Group's revenue in the second half of the financial year is typically supported by key events including Valentine's Day and Mother's Day. In addition, revenue growth in 2H FY21F will also be driven from the continued execution of initiatives discussed above.

1H FY22F (and CY21F)

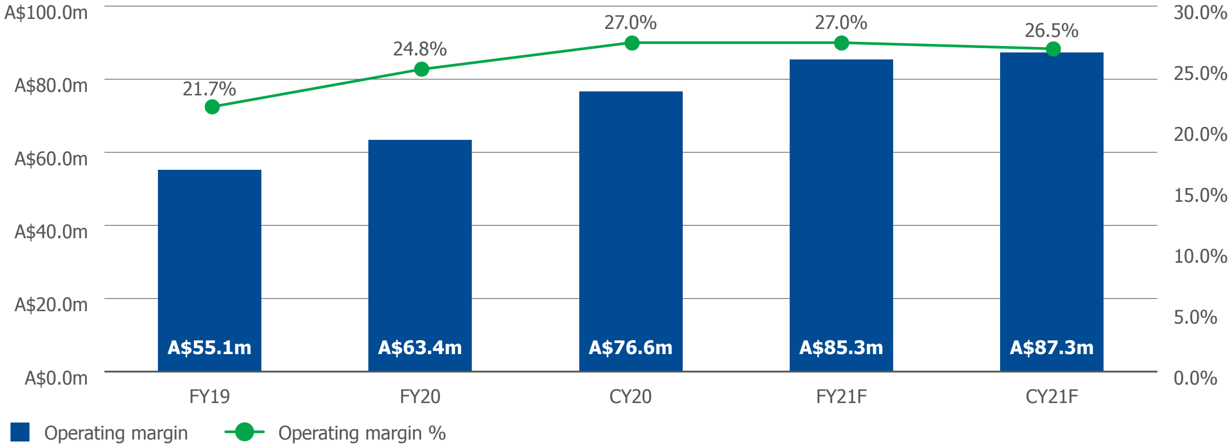
From CY20 to CY21F, the Lynch Group's revenue is forecast to grow by $45.7 million, or 16.1%. This growth is expected to be driven by the Lynch Group's growth strategy as set out in Sections 3.4 and 3.5. The general and specific assumptions underpinning the CY21F forecast are set out in Section 4.8.1 and 4.8.2. The key revenue trends forecast for CY21F are:

- Lynch Group – Australia: CY21F revenue forecast to grow by 14.5% on the prior corresponding period (which was impacted by COVID-19), primarily driven by volume increases across product lines as a result of the Lynch Group's Australian growth initiatives and an ongoing structural shift in consumer spend from florists to the supermarket channel in Australia.
- Lynch Group – China: CY21F revenue forecast to grow by 29.0% on the prior corresponding period (which was impacted by COVID-19), primarily driven by volume increases as a result of an increase in production capacity from 55.0 hectares at the end of CY20 to 65.5 hectares at the end of CY21F. Growth was also driven by improvements in pricing as a result of premium product lines accounting for a greater proportion of the Lynch Group's revenue from China. Beyond CY21F, Lynch Group's revenue from China will be supported by capital expenditure invested in CY21F, further production expansion, additional processing facilities including the commencement of operations at the Shanghai Facility and a growing supermarket customer base in China.

4.9.3 Operating margin

Figure 40 provides the historical and forecast operating margin and operating margin percentage for each period from FY19 to CY21F. The Lynch Group's operating margin reflects a blend of the Lynch Group's operating margins from the Business in Australia and China. The Lynch Group's business in China has a higher operating margin than the Lynch Group's business in Australia. This is, in part, due to its vertically integrated business model in China.

Figure 40: Annual operating margin trend



FY19 to FY20

From FY19 to FY20, the Lynch Group's operating margin increased by $8.3 million to $63.4 million representing an increase from 21.7% to 24.8% as a percentage of revenue. This was primarily driven by:

- Improvements in production yields achieved on the Lynch Farms in China;
- Active supply chain management, which assisted in prolonging the vase life of products and ultimately improved product quality and reduced wastage costs;
- Range optimisation initiatives implemented to mitigate supply chain challenges brought about by COVID-19. These included removing labour intensive materials from products and adjusting the floral mix for bouquets and arrangements and helped to offset some of the increased costs associated with the impact of COVID-19 on the Lynch Group's supply chain. It also helped to maintain the freshness of the Lynch Group products, which resulted in improved product quality and lower wastage;
- Continued focus on meeting biosecurity requirements to minimise delays in importing flowers into Australia and maximise supply chain efficiency; and
- Greater focus on floral merchandising and in-store product displays in order to increase speed of sales.

1H FY21 (and CY20)

In 1H FY21, the Lynch Group's operating margin increased by $13.2 million resulting in a CY20 operating margin of $76.6 million. This represents a percentage increase from 24.8% in FY20 to 27.0% in CY20 primarily driven by:

- Ongoing improvement in production yields achieved on the Lynch Farms in China, with additional production capacity coming online and yield from existing capacity continuing to increase in-line with the typical ramp-up profile at the Lynch Farms in China;
- Ongoing range optimisation initiatives, which resulted in improved wastage and procurement spending;
- Improvements in the performance of the Sydney markets site; and
- Other operational efficiencies driven by improved quality and speed to market including production labour efficiencies.

2H FY21F, 1H FY22F (and CY21F)

From CY20 to CY21F, the Lynch Group's operating margin is forecast to increase by $10.6 million from $76.6 million to $87.3 million, which represents a slight 0.5% decrease as a percentage of sales to 26.5%.

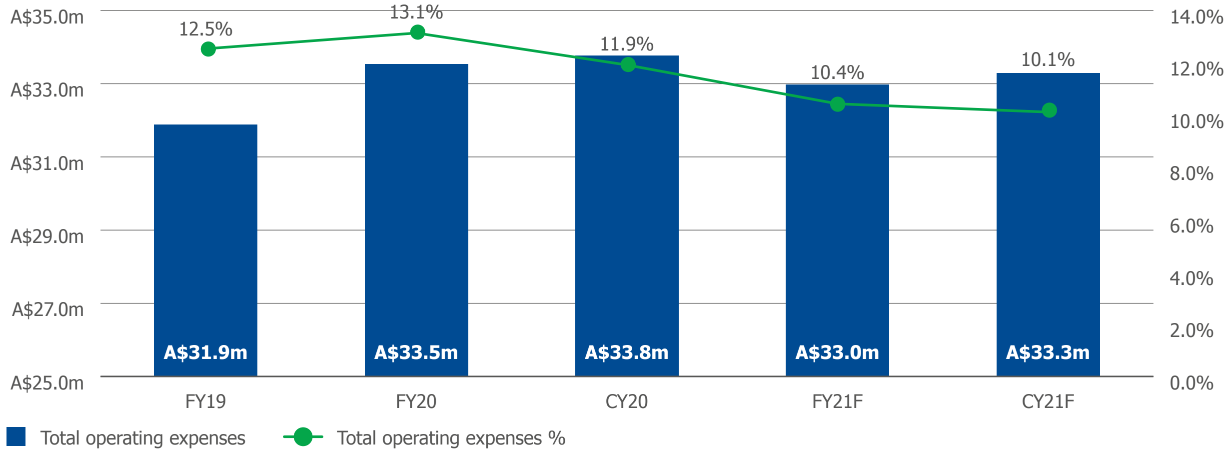
2H FY21F will continue to benefit from ongoing implementation of margin improvement initiatives commenced during 1H FY21. These include floral range optimisation, further investments in merchandising and enhanced product displays to drive speed of sales, ongoing yield improvement and the ramp-up of production capacity at the Lynch Farms in China.

Operating margins in CY21F will be slightly impacted by the Lynch Group's floral product mix, which is ultimately driven by consumer demand. Some popular varieties have a higher raw material cost, such as tulip bulbs, which results in a lower operating margin for these varieties. An expected increase in demand for these varieties is expected to slightly impact operating margins for the period most notably in the Lynch Group's business in China.

4.9.4 Operating expenses

Figure 41 illustrates total operating expenses in absolute terms and as a percentage of revenue from FY19 to CY21F.

Figure 41: Annual operating expenses and total operating expenses %



FY19 to FY20

From FY19 to FY20, the Lynch Group's total operating expenses increased by $1.7 million to $33.5 million, or 13.1% of revenue in FY20:

- Lynch Group – Australia: Operating expenses increased by $2.4 million, or 8.9%, relating to (i) an increase in employee benefits expenses related to Management short-term incentives and employee share scheme which was paid due to outperformance on prior period; and (ii) other incremental costs associated with acquisitions.
- Lynch Group – China: Operating expenses reduced by $0.7 million primarily driven by savings in marketing expenses and other operating expenses.

1H FY21 (and CY20)

In 1H FY21, the Lynch Group's total operating expenses increased by $0.2 million relative to the prior corresponding period. This resulted in total operating expenses representing 10.5% of 1H FY21 revenue:

- Lynch Group – Australia: Operating expenses increased by $0.2 million despite revenue growth of $24.3 million. This primarily relates to an immaterial write down of fixed assets and small level of general cost increases.
- Lynch Group – China: Operating expenses were broadly consistent in absolute terms in 1H FY21 versus the prior corresponding period.

2H FY21F, 1H FY22F (and CY21F)

In CY21F, the Lynch Group forecasts total operating expenses to equal 10.1% of revenue. This represents a decline of $0.5 million versus CY20. Forecast operating expenses are based on historic trends and factor in certain expected increases, including rent expenses relating to the Shanghai Facility. The Lynch Group expects total operating margin to be largely consistent with that already achieved in 1H FY21.

The general and specific assumptions underpinning the CY21F forecast are set out in Sections 4.8.1 and 4.8.2. The key operating expenses trends forecast for CY21F are:

- Lynch Group – Australia: operating expenses are forecast to decline by $1.1m year on year largely due to employee benefits expenses which relate to Management short-term incentives in the previous year not included in the forecast. All other costs are expected to increase moderately with specific investment in marketing driven by growth in floral display stands and units to support revenue growth.
- Lynch Group – China: employee benefits, occupancy, and other expenses are all forecast to increase slightly to support additional production capacity currently under development.

4.9.5 EBITDA

Figure 42 illustrates EBITDA in absolute terms and as a percentage of revenue from FY19 to CY21F.

Figure 42: Annual EBITDA and EBITDA % of Revenue

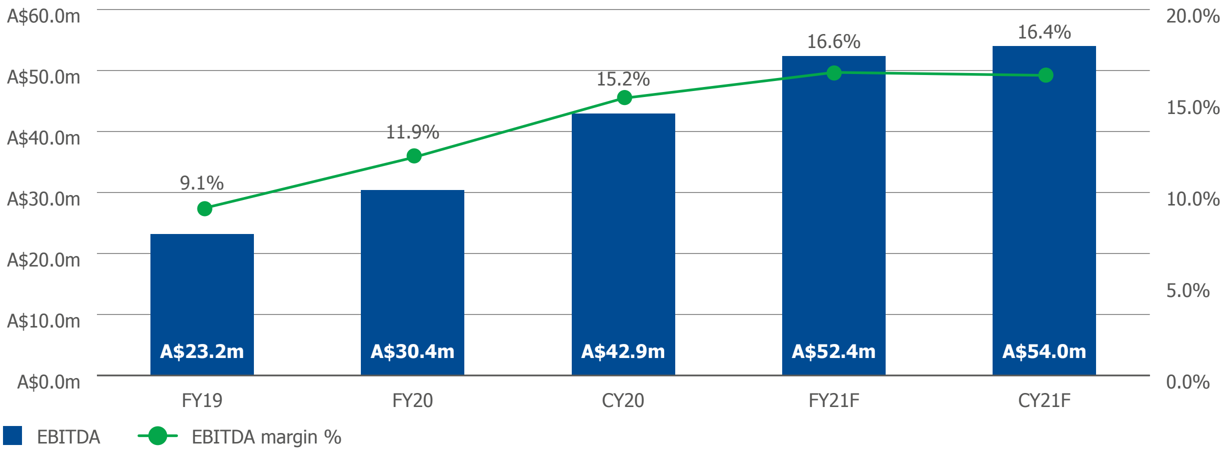
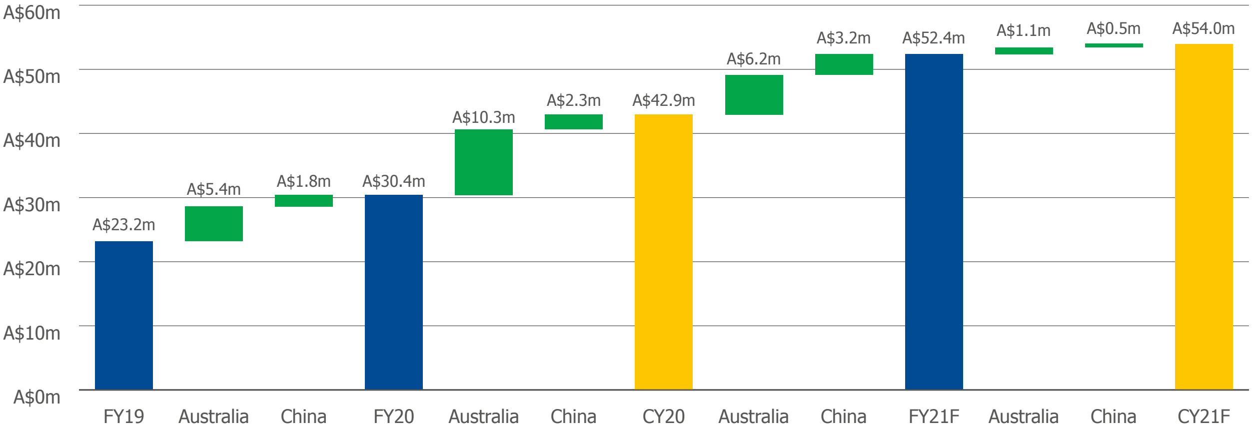


Figure 43 illustrates EBITDA movement by region from FY19 to CY21F.

Figure 43: FY19 to CY21F EBITDA bridge



FY19 to FY20

From FY19 to FY20, the Lynch Group's EBITDA increased by $7.2 million from $23.2 million to $30.4 million:

- Lynch Group – Australia: EBITDA increased by $5.4 million from FY19 to FY20, representing an improvement in EBITDA margin from 5.8% to 8.3%. This was achieved despite a revenue decline in a COVID-19 impacted period and was primarily due to an increase in operating margin, driven by:
  - active supply chain management including end-to-end cool-chain, which assisted in prolonging the vase life of products and ultimately improved product quality and reduced wastage costs;
  - range optimisation initiatives implemented to mitigate supply chain challenges brought about by COVID-19. These initiatives helped to offset some of the increased costs associated with the impact of COVID-19 on the Lynch Group's supply chain. It also helped to maintain the freshness of Lynch products, which resulted in improved product quality and lower wastage; and
  - continued focus on meeting biosecurity requirements to minimise delays on importing flowers into Australia and maximise supply chain efficiency.

- Lynch Group – China: EBITDA increased by $1.8 million from FY19 to FY20, representing an improvement in EBITDA margin from 24.7% to 26.8%. This was primarily driven by:
  - strong revenue growth, as discussed in Section 4.9.2; and
  - increasing operating leverage as yields improved on the Lynch Farms in China.

1H FY21 (and CY20)

In 1H FY21, the Lynch Group's EBITDA increased by $12.5 million, or 92.2%, relative to the prior corresponding period:

- Lynch Group – Australia: EBITDA in 1H FY21 increased by $10.3 million, or 142.0%, relative to the prior corresponding period. This EBITDA margin improvement was primarily driven by:
  - strong revenue growth, as discussed in Section 4.9.2;
  - improvements in operating leverage as a result of strong focus on cost management;
  - ongoing range optimisation initiatives, which resulted in improved wastage and procurement spending; and
  - improvements in the performance of the Sydney markets site.
- Lynch Group – China: EBITDA in 1H FY21 increased by $2.3 million, or 35.9%, relative to the prior corresponding period. This EBITDA margin improvement was primarily driven by:
  - strong revenue growth, as discussed in Section 4.9.2;
  - ongoing improvement in production yields achieved on the Lynch Farms in China, with additional production capacity coming online and yield from existing capacity continuing to increase in-line with the typical ramp-up profile at the Lynch Farms in China; and
  - changes in the Lynch Group's product mix and customer mix in China.

2H FY21F, 1H FY22F (and CY21F)

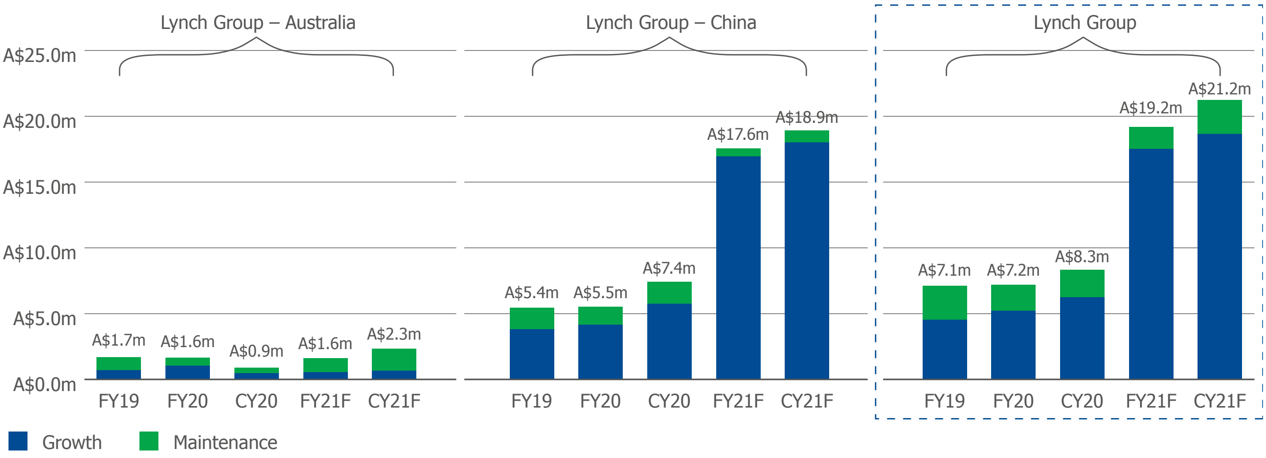
From CY20 to CY21F, the Lynch Group's EBITDA is forecast to increase by $11.1 million, or 25.7%:

- The Lynch Group's business in Australia – CY21F EBITDA is forecast to grow $7.3 million, or 24.9%, relative to CY20. This is primarily driven by:
  - revenue growth due to a return to normal trading following COVID-19;
  - an improvement in margins as a result of actions taken by Management during 1H FY21, including ongoing range optimisation initiatives and effective procurement planning; and
  - further investments in merchandising personnel and systems to support sales. Increased merchandising is expected to deliver an improved, scalable merchandising team that will help to support further conversion of Core supermarket stores into SOR stores, in addition to providing enhanced merchandising support to Core stores.
- The Lynch Group's business in China – CY21F EBITDA forecast to grow $3.8 million, or 27.6%, relative to CY20. This is primarily driven by:
  - volume expansion through yield improvement and increased production capacity, including through land development and additional greenhouse capacity constructed in CY20;
  - increase in average selling price as a result of continued penetration of retail channels and premiumisation of product lines; and
  - a return to normal trading conditions following COVID-19.

4.9.6 Capital Expenditure

Figure 44 illustrates capital expenditure at the Lynch Group level as well as for the Business in Australia and China.

Figure 44: Total Capital Expenditure



FY19 to FY20

From FY19 to FY20, total capital expenditure increased marginally by $0.1 million from $7.1 million to $7.2 million.

- Lynch Group – Australia: total capital expenditure in FY20 was $1.6 million, down 3.1% on the prior corresponding period. Approximately 65% of this was related to capacity enhancements at Lynch Farms in Australia. The remainder resulted from ongoing maintenance-related upgrades of IT hardware and software.
- Lynch Group – China: total capital expenditure in FY20 was $5.5 million, up 2.1% on the prior corresponding period. Approximately 75% related to expansion in production capacity.

1H FY21 (and CY20)

In 1H FY21, total capital expenditure was $6.2 million, up 25.1%, relative to the prior corresponding period. This was primarily related to continued expansion of farm production capacity in China.

2H FY21F, 1H FY22F (and CY21F)

In CY21F, the Lynch Group expects total capital expenditure of $21.2 million, an increase of $12.9 million, or 155.1% on the prior corresponding period. 87.8% of this relates to further expansion of production capacity in China, which continues to be the main area of capital deployment. Further detail regarding this and CY21F forecast is set out in Sections 4.8.1 and 4.8.2.

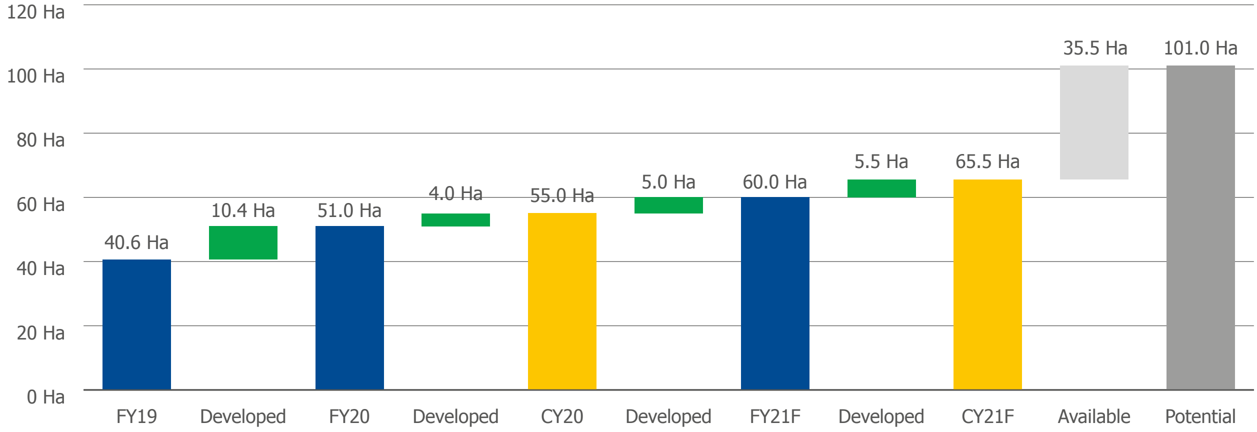
- Lynch Group – Australia: CY21F capital expenditure is forecast to be $2.3 million. This comprises $0.7 million for further farmland development to increase production capacity and $1.7 million of maintenance capital expenditure to support existing production capacity, IT hardware and software and end of life equipment upgrades.
- Lynch Group – China: CY21F capital expenditure is forecast to be $18.9 million. Of this, $7.8 million or approximately 40% is for farm enablement. Farm enablement capital expenditure is generally non-recurring in nature and relates to investment in infrastructure and value-add facilities to enable additional production capacity through farm development.

Capital Expenditure category	Forecast spend in CY21F	Description of CY21F investment	Timing of revenue impact on CY21F versus capital expenditure
Growth Capital Expenditure:			
Production capacity development	$10.1 million	Development of additional production capacity, such as greenhouses, on new and existing farms, and investment focused on yield improvement at existing farms. CY21F includes $8.3 million which directly relates to development of 11.3 hectares of additional production capacity. This equates to a total $0.8 million investment per hectare. A further $0.5m of additional investment for these 11.3 hectares will be required outside the forecast period. $1.8 million of the investment in production capacity in CY21F relates to previously developed hectares. The Lynch Group targets a minimum ROIC of 25% on this growth investment which relates to the investment in production capacity only.	Typically 18 to 36 months to 100% yield, with ramp-up over the next 18 months to first revenue impact
Farm enablement – core infrastructure	$3.6 million	Establishment of core infrastructure on farmland such as heating, packing and cool storage, in preparation for development investment that increases production capacity. CY21F investment relates to current and near-term expansion works.	No revenue impact until development investment is undertaken
Processing and value-add facilities development	$4.2 million	Investment in the Lynch Group's processing and value-add capabilities such as warehouses, which supports product premiumisation and development of new customer channels. CY21F includes investment in the Shanghai Facility, a second value add facility and the new processing facility in Yunnan near the Lynch Farms in China (in addition to the Kunming Facility).	No revenue impact until facilities are operational
Maintenance Capital Expenditure	$0.9 million	Expenditure that is undertaken to sustain current revenues and profits. Maintenance capital expenditure typically includes growing equipment, occupational health and safety improvements, quality requirements and equipment replacement.	N/A
Total Capital Expenditure	**$18.9 million**		

There are no material impacts to revenue in the forecast periods from capital expenditure in 2H FY21F or 1H FY22F as it typically takes 18 to 36 months from first planting to achieving full run-rate production yields.

Figure 45 illustrates the total developed land for the Business in China from FY19 to CY21F as well as the total land available for potential development beyond the forecast period. The Lynch Group has continued to expand land available for production due to fast growing demand for floral products in China and continued demand for premium floral products from its Australian operations. The Lynch Group will have a further 35.5 hectares available for future production expansion by the end of CY21F.

Figure 45: Land development and land potential in China



4.9.7 Depreciation and amortisation

This comprises depreciation of property, plant and equipment and right of use assets recognised under AASB 16. Property, plant and equipment is depreciated on a straight-line basis based on the useful life of the asset. Amortisation expenses relate to the amortisation charge on intangible assets with finite useful lives, mainly comprised of customer relationships and brand names.

4.9.8 Working Capital

Working capital is comprised of current account receivables, inventories and prepayments, current accounts payables, current tax liabilities, as well as interest portion of lease liabilities and accruals. The Lynch Group does not require material investment in working capital as the Lynch Group grows. Its supplier and customer payment terms are relatively matched, and the perishable nature of its major products means it does not hold raw product as inventory for extended periods of time. It holds inventory balances for non-perishable inventory which is regularly monitored and managed. The seasonal profile of the Lynch Group's sales creates material intra-year working capital peaks and troughs, however year on year the Lynch Group has a minimal cash outflows from movements in working capital. From FY19 to FY20 net working capital shifted from positive to negative driven by timing of payables and also the investment in building of non-perishable inventories to support new potted revenue initiatives.

Over the CY21F forecast period, net change in working capital is forecast to largely remain flat.

4.9.9. Operating Cash Flow and Cash Conversion

Table 4.24 summaries the Lynch Group's cash flow from operations and cash conversion. Cash flow from operations is net of changes in working capital and is expected to continue to increase over the forecast period.

Table 4.24: Operating cash flow and cash conversion for Pro Forma Historical and Pro Forma Forecast periods

	Pro Forma Historical		Pro Forma Forecast	
A$ millions	FY19	FY20	FY21F	CY21F
EBITDA	**23.2**	**30.4**	**52.4**	**54.0**
Changes in working capital	(8.5)	6.4	(1.9)	(1.0)
Cash generated from operations	**14.7**	**36.7**	**50.4**	**52.9**
Cash Conversion	**63.3%**	**120.9%**	**96.3%**	**98.1%**

4.10 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Lynch Group, its Directors and Management. These are also based on current expectations of future business developments which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. Set out below is a summary of the sensitivity impact on the Forecast Financial Information of changes to a number of key variables. The changes in the key variables as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in the other assumptions. In practice, changes in assumptions may offset each other or be additive and it is likely that Management would respond to any adverse changes in one item and seek to reduce the net effect on the Lynch Group's EBITDA and cash flow.

For the purpose of the analysis below, the effect of the changes in key assumptions on the CY21F pro forma EBITDA and pro forma NPATA is set out in Table 4.25 below.

Table 4.25: Sensitivity analysis on the impact on Pro Forma EBITDA and NPATA for CY21F

			CYF21F impact	
Assumption	Note	Increase/Decrease	+ change ($ million)	- change ($ million)
Impact on EBITDA				
Foreign exchange (AUD/USD)	1	1c USD	0.5	(0.5)
Foreign exchange (AUD/CNY)	2	0.25 CNY	(0.6)	0.6
Revenue growth	3	2.5%	2.1	(2.1)
Operating margin %	4	1.0%	0.9	(0.9)
Change in interest rates	5	+/- 50 basis points	–	–
Timing impact on capex investment	6	3 months	0.4	(0.4)

			CYF21F impact	
Assumption	**Note**	**Increase/Decrease**	**+ change ($ million)**	**- change ($ million)**
Impact on NPATA				
Foreign exchange (AUD/USD)	1	1c USD	0.3	(0.3)
Foreign exchange (AUD/CNY)	2	0.25 CNY	(0.4)	0.4
Revenue growth	3	2.5%	1.6	(1.6)
Operating margin %	4	1.0%	0.6	(0.6)
Change in interest rates	5	+/- 50 basis points	0.4	(0.4)
Timing impact on capex investment	6	3 months	0.3	(0.3)

Notes:

1. **Foreign exchange (AUD/USD):** the Lynch Group's Australian third-party product purchases are denominated in USD. The sensitivity is calculated as a +/- 1 cent (USD) change in the AUD/USD exchange rate.
2. **Foreign exchange (AUD/CNY):** the Lynch Group's domestic operations in China are denominated in CNY. The sensitivity is calculated as a +/- 0.25 CNY change in the AUD/CNY exchange rate. As the CNY is pegged to the USD, changes in AUD/CNY exchanges rate are not independent of changes in the AUD/USD exchange rate.
3. **Revenue growth:** calculated as a +/- 2.5% of the Lynch Group revenue, with all other assumptions remaining the same.
4. **Operating margin:** calculated as a +/- 1 percentage point change in operating margin as a percentage of revenue, with all other assumptions remaining the same.
5. **Change in interest rates:** calculated as a +/- 50 basis point change in the interest rate of the Lynch Group's new debt funding facility.
6. **Timing impact on capex investment:** calculated as the impact of a +/- 3 month change in the timing of capital expenditure.

4.11 Dividend policy

The payment of a dividend by the Lynch 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 Lynch Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Lynch Group, and any other factors the Directors may consider relevant.

Having regard to the factors outlined above, the Board's current intention is to target a dividend payout ratio of at least 50% of annual NPATA. Depending on available profits and the financial position of the Lynch Group, it is the intention of the Board to declare interim dividends in respect of half years ending December and final dividends in respect of full years of each financial year.

No dividend will be paid in respect of the financial year ending 27 June 2021 due to the timing of the Offer. The Directors anticipate that the first dividend to Shareholders will be determined in respect of the 1H FY22F period and will become payable in or around March 2022. The Directors expect this dividend to be fully franked.

No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking on any such dividend.

Investors who are not residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not residents of Australia should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares. Taxation considerations for an Australian tax resident investor are set out in Section 9.

5.

Key Risks

5. Key Risks

5.1 Introduction

The Lynch Group is subject to risks that are both specific to its business activities and others that are more general in nature. The risks associated with an investment in Shares fall into the following broad categories:

- Specific risks to the Lynch Group (Section 5.2);
- General business risks of the Lynch Group (Section 5.3); and
- General risks associated with any investment in listed shares (Section 5.4).

This Section 5 outlines the significant risk factors of which potential Shareholders need to be aware of when considering whether to invest in the Shares. However, this Section 5 does not purport to describe every risk that may be associated with an investment in the Shares now or in the future. Any, or a combination, of these risk factors may have a material adverse impact on the Lynch Group's financial performance, financial position, cash flows, the size and timing of dividends, growth prospects or the value of the Shares.

You should carefully read this entire Prospectus and consult with your professional advisers before deciding whether or not to apply for Shares. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

5.2 Risks specific to an investment in the Lynch Group

5.2.1 Customer concentration risk – Reliance on a number of large customers in Australia

A significant proportion of the Lynch Group's revenue is currently attributable to a small number of the major supermarkets, including Coles, Woolworths and ALDI, who trade with the Lynch Group on a purchase order basis. That is, there are no fixed-term contracts with these major customers. The Lynch Group has relied on its strong long-term commercial relationship with these key customers (some of which have been the Lynch Group's customers for about 30 years) and its competitive advantages, relying on the Lynch Group's position as the only major partner to supermarkets in the floral category to generate ongoing revenue from these key customers.

If the relationship between the Lynch Group and any of these supermarkets deteriorates (for any reason) or the Lynch Group is unable to maintain its competitive advantage as the major supplier of floral and plant products to Australian supermarkets, which then results in a loss of business from any of these key customers, there will be a significant adverse impact on the Lynch Group's revenue and financial performance.

5.2.2 Integration of the VDB Group into the Lynch Group may not be successful

The integration of the VDB Group into the Lynch Group is important to assist in the Lynch Group's realisation of its long-term growth objectives in China.

The integration of the remaining financial, operational and managerial functions of the VDB Group into the Lynch Group following the VDB Acquisition may not be as successful as expected or take longer to execute. For example, the VDB Acquisition may not meet the Lynch Group's operational or financial objectives (once fully integrated). A failure to successfully integrate the VDB Group into the Lynch Group may have a material adverse effect on the Lynch Group's financial and operational performance.

5.2.3 Inheriting liabilities of the VDB Group

As the VDB Acquisition involves the acquisition of shares in VDB Asia, all past, present and future liabilities of the VDB Group Members will pass to Lynch HK. As such, there is a risk that the Lynch Group will inherit liabilities of the VDB Group which are unknown and not covered by the warranty and indemnity regime or the locked box accounts mechanism contained in the VDB Acquisition Agreement.

5.2.4 Geopolitical risks of operating in China

As the Lynch Group operates and owns key assets in China, it is exposed to China's political, economic and social landscape and the broader bilateral relationship between Australia and China. Any current heightening of political and economic tensions in the bilateral relationship between Australia and China may impact on the Lynch Group's operations including from government responses to these tensions, such as heightened regulatory burdens on foreign investment, restrictions on Chinese export activities, expropriation of real property assets, repudiation, renegotiation or nullification of existing agreements and leases, and restrictions on currency conversion and the repatriation of funds.

The geopolitical risks associated with operating in China, if realised, could affect the Lynch Group's ability to manage or retain interests in its activities and operations in China and could have a material adverse effect on the profitability, ability to finance or, in extreme cases, viability of one or more of its assets in China.

Disruptions in, or significant increases in the cost of, its operations in China at any given time could have a material adverse effect on the business and results of operations and financial condition of the Lynch Group.

5.2.5 Regulatory risks in China

The Lynch Group's operations in China are subject to various laws and regulations in China. Most current legislation in China applicable to the Lynch Group has been passed relatively recently. Given these laws are relatively new, there may not be substantial precedents or established practices regarding the implementation, interpretation and enforcement of these laws and regulations.

As such, there may remain some uncertainties and/or inconsistencies in the enforcement of these recent existing laws and regulations. This may create challenges for the Lynch Group in operating the Business in China in strict compliance with all applicable laws and regulations in China.

Furthermore, the Chinese authorities have broad powers with respect to legislating and enforcing applicable laws (such as powers to expropriate assets, such as land, and nullify contractual rights) for the purpose of public or national interest.

The uncertainties in the legal and regulatory system in China could affect the Lynch Group's activities and operations in China and its ability to manage and retain its interests in China and could have a material adverse effect on the profitability of the Lynch Group's operations in China, its ability to finance those operations or, in extreme cases, the viability of one or more of its assets in China.

5.2.6 Litigation involving Florina

The Lynch Group (through Gladlands Flowers Pty Ltd), among other parties, is subject to a claim in the Supreme Court of Queensland. The claim, which has been filed by the liquidator of Florina Pty Ltd (in liquidation) ACN (010 289 362) (**Florina**), alleges that the Lynch Group acquired a number of assets at an undervalue (prior to Florina being placed into liquidation) and the transactions as a whole are uncommercial for the purposes of Part 5.7B of the Corporations Act (**Florina Asset Claim**).

As at the date of this Prospectus, the Florina Asset Claim continues to be vigorously defended by the Lynch Group. On 1 February 2020, the matter was listed for a review hearing in the Supreme Court of Queensland at which time orders for the future conduct of the proceedings were made. The matter has been listed for reviews before the Court on 30 March 2021 and 4 May 2021, subject to compliance with the Court's timetable.

If the liquidator of Florina is successful with the Florina Asset Claim (as originally filed), the Lynch Group (and the other defendants) would need to make a payment of $1,858,542 (plus costs) to Florina representing the value of the alleged underpayment. If this materialises, this payment obligation may have a material adverse effect on the Lynch Group's financial position.

Additionally, the liquidator of Florina is also seeking to obtain declarations and orders to the amount of $1,727,273 (plus costs) against Chittering Valley (WA) Pty Ltd (**Chittering Valley**), an entity associated with Leo Lynch, in relation to the acquisition of certain land (**Florina Land Claim**). It is also alleged that the Lynch Group is jointly liable for the Florina Land Claim with Chittering Valley. If the liquidator of Florina is successful in obtaining such declarations and orders and Chittering Valley does not satisfy any obligation to pay damages under the Florina Land Claim, the Lynch Group may be liable for such damages. In such event, the total damages claim that the Lynch Group may be liable for in relation to the Florina Asset Claim and Florina Land Claim is approximately $3.6 million (plus costs).

5.2.7 Lack of written customers contracts

The Lynch Group does not have any written fixed-term agreements with its customers, including its key customers. Instead, the Lynch Group relies on long-standing relationships with its customers to generate and secure ongoing revenue.

Without written contracts in place, there is no certainty of sale volumes and the arrangements between the Lynch Group and its customers can be terminated or varied by the customers without notice or penalty. Given the Lynch Group's reliance on its relationships with its customers, rather than written contracts, a deterioration in such relationship enables customers to terminate its arrangements with the Lynch Group relatively easily. Such loss of business may have a material adverse impact on the Lynch Group's financial performance.

5.2.8 Glyphosate

Glyphosate is a broad-spectrum systemic herbicide, which acts by inhibiting an enzyme found in plants. Glyphosate is a widely used product that is used 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 cancers.

The Lynch Group uses glyphosate in two capacities:

- as an herbicide for use on the Lynch Farms, where the use is relatively low and is according to the label and local regulations; and
- as a mandatory treatment to render some specific flower varieties non-propagable in a process named 'devitalisation', which is a treatment mandated by the Australian Government for many decades. Devitalisation is common for all imported cut flowers that have been deemed by the Department of Agriculture, Water and Environment to be propagable, and must be performed in the country of origin. The Lynch Group in China performs the devitalisation process under Chinese Government supervision, and according to Australian regulations. The Lynch Group is actively working with the Australian Department of Agriculture to seek alternatives or substitutes to glyphosate use.

There have been a number of successful and pending litigations around the world, including in Australia, claiming liability for cancer relating to the use of glyphosate. As such, there is a risk that the Lynch Group may be involved in future litigation regarding its use of glyphosate in the Business, which may have a material impact on the Lynch Group's financial position, reputation and price of its Shares.

5.3 General business risks of the Lynch Group

The Lynch Group is exposed to a number of general business risks by virtue of the nature of its Business, being a business that produces and sells floral and plant products. The emergence of these general business risks alone or in combination with one or more other general business risks, may have a material adverse impact on the Lynch Group's financial or operational performance, or the Business' viability and its financial position.

5.3.1 Short vase life product and wastage

The floral and plant products produced and distributed by the Lynch Group have a short vase life. There is a risk that these products are delivered by the Lynch Group in a condition that cannot be sold to end consumers. Significant wastage of floral and plant products may impact on the Lynch Group's ability to meet customer demand or increase the cost of supply of such products to its customers, which ultimately impacts on the Lynch Group's ability to generate revenue and its overall financial performance.

5.3.2 Disease and infestation

A disease outbreak or pest infestation may impact the Lynch Group's ability to produce and distribute sufficient floral and plant products to meet its customer demands. Significant disruptions in the Lynch Group's ability to distribute floral and plant products due to a disease outbreak or pest infestation may have material adverse impact on the Lynch Group's financial performance.

5.3.3 Supply chain disruptions

The Lynch Group's supply chain is relatively complex and involves multiple intra-group and third-party interlinked components. In many cases, there are components of the Lynch Group supply chain which are time critical, such as the transportation of fresh flowers, import processing and customs clearance, and quality testing. A disruption to time critical parts of the supply chain could impact on the Lynch Group's ability to supply floral and plant products to its customers. For example, if a breeder who supplies new varieties to the Lynch Group elects to terminate the relationship and prevent the Lynch Group from commercialising certain varieties, the Lynch Group would need to commence the long process of cultivation of alternative varieties, potentially causing a short-term disruption in supply in the absence of alternative third-party supply. Additionally, a disruption which prevents or delays third-party logistics providers from transporting the floral or plant products in a timely manner may result in the deterioration of the quality of the products, which in turn may result in product loss for the Lynch Group. As such, a failure of, or disruption in, the Lynch Group's supply chain could be adverse to the Lynch Group's future financial performance.

5.3.4 Lack of long-term arrangements with key third-party suppliers

The Lynch Group relies on a number of third-party key suppliers to provide high quality stems, plants and cuttings for the Lynch Group to cultivate and/or commercialise. The terms of supply for these products are typically on a purchase order basis or for a contracted duration of no more than one year. The ability for the Lynch Group to secure ongoing supply of stems, plants and cuttings for the floral and plant products it supplies to its customers is dependent on the strength of the Lynch Group's relationships with its third-party suppliers. As such, any significant deterioration in the Lynch Group's relationship with these suppliers may impact the Lynch Group's ability to produce floral and plant products for distribution to its customers, and as a consequence, would have material adverse effect on the financial performance of the Lynch Group.

5.3.5 Economic cycles and consumer behaviour

Many product lines of the Lynch Group are subject to the discretionary spend of retail consumers. Consumer spending on these items are generally sensitive to changes in general consumer sentiment and personal income levels. Negative consumer sentiment and reduced income levels generally have a negative impact on consumer spending on such discretionary products.

Any material reduction in consumer spending on discretionary items such as floral products or volatility in the factors which affect consumer spending and personal income levels may in turn result in reduced levels of revenue and profitability for the Lynch Group.

5.3.6 Workplace accident risks

The nature of the Business exposes the Lynch Group employees to the risk of workplace accidents and injuries. While the Lynch Group is focused on ensuring a safe working environment for all its staff in Australia and China and has workers' compensation insurance in place, it is still exposed to the risk of claims and statutory penalties in connection with a workplace accident. Should the Lynch Group be required to pay monetary penalties or other amounts in connection with these claims (which are not covered by insurance), or if its insurance premiums were to increase materially as a result of the claims, this may adversely affect the Lynch Group's financial performance.

5.3.7 Changes to Australia's quarantine and customs requirements

The Lynch 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 Lynch Group's importation of its floral and plant products into Australia. Significant disruptions to the Lynch Group's ability to import its products into Australia could adversely impact the Lynch Group's business, operations and financial position.

5.3.8 Repatriation of funds to Australia

The Lynch Group operates its various subsidiaries in China in the form of wholly foreign owned enterprise (**WFOE**) entities. Under Chinese laws and regulations, the Chinese government imposes control on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing Chinese foreign exchange regulations:

- a WFOE may convert its RMB into foreign currencies for payment out of China of current account items, including dividends, interest payments and trade and service-related foreign exchange transactions, without approval from the Chinese State Administration of Foreign Exchange (**SAFE**), by complying with certain procedural requirements administered mostly by local banks;
- a WFOE may not freely convert its RMB into foreign currency for payment out of China to pay capital account items such as the repayment of loans or repatriation of investments denominated in foreign currencies. These transactions would require approval from SAFE (or its relevant branches) and/or registration with appropriate Chinese government authorities; and
- in respect of dividends, a WFOE is able to pay a dividend to its overseas shareholder only to the extent of positive retained earnings after allocating 10% of its annual after-tax profits to the statutory reserve and until such reserve reaches 50% of the registered capital of the WFOE. Further, accumulated losses in prior years must have been recovered.

The Chinese laws, regulations and processes in relation to foreign exchange payments out of China are subject to change and interpretation by the governing Chinese authorities. As the Lynch Group's Chinese operations receives its revenue in RMB, any change in law or tightening of the applicable procedures may inhibit the ability of the Lynch Group's Chinese entities to repatriate RMB out of China which may adversely affect the Lynch Group's ability to pay dividends to its shareholders and limit its ability to finance future activities in Australia.

5.3.9 Foreign currency exposure

Some products sourced by the Lynch Group are purchased directly in foreign currency and, accordingly, the Lynch Group is exposed to the foreign exchange rate movements, particularly the AUD/RMB and AUD/USD rate.

Material movements in the foreign exchange rates can have a material adverse effect on the Lynch Group, including reduced consumer demand for the Lynch Group's products or increased costs to produce and distribute the Lynch Group's products. In turn, this could have a material adverse effect on the Lynch Group's business, financial condition, operating and/or financial performance.

5.3.10 Pandemic risks (including COVID-19)

Events related to the Coronavirus pandemic (**COVID-19**) have resulted in significant market volatility. As the COVID-19 pandemic continues, there is continued uncertainty as to the ongoing and future response of governments and authorities globally as well as the full economic and social impact resulting from the COVID-19 pandemic. The Lynch Group may face additional difficulty in achieving business growth, as well as creating and maintaining a competitive advantage over other producers and distributors during and in the aftermath of the COVID-19 pandemic. The uncertainties as to the full impact of the COVID-19 pandemic may create business risks for the Lynch Group in reducing consumer demand for the Lynch Group's products, delaying distribution timeframes and increasing the cost of supply. Further, COVID-19 may create changed global economic conditions which may impede the Lynch Group's successful expansion in China.

COVID-19 may also affect the Lynch Group on a personnel level as the Lynch Group will be required to adhere to health recommendations from local, state and federal authorities, which may include reductions in available employees, lower production and revenue, and increased costs or reduced profitability.

Further, there remains a risk that the spread of COVID-19 has an adverse impact on the Lynch Group's supply chain. This could occur if the ability to transport products between countries is disrupted, the Lynch Group's key suppliers are negatively affected, or the Lynch Group is otherwise unable to efficiently distribute products to customers. In the event that the Lynch Group's supply chain is disrupted, this may have a material adverse effect on the Lynch Group's financial and/or operating performance.

5.3.11 Climate change

Climate change and the corresponding increase in the likelihood of events such as floods, droughts, fires, heatwaves and cyclones and prolonged periods of adverse weather and climatic conditions may have a negative effect on productivity and growing costs, which may result in decreased availability or less favourable pricing for the Lynch Group's floral and plant products or certain commodities that are necessary for its products. Weather and climatic conditions could also impact the Lynch Group by causing increased costs, closures, disruption to operations, lack of access, damage to the warehouse or stock, impacts on supply and transportation of product, among other things. Such events may lead to an increase in operational costs or business interruption and may have a detrimental impact on the Lynch Group's financial and/or operational performance.

5.4 General risks of an investment in listed shares

5.4.1 Price of shares and general investment risks

The market price of the Shares may be affected by numerous factors, many of which are outside the Lynch Group's control. These factors include (but are not limited to):

- general movements in Australian and international stock markets for listed securities;
- changes in general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices and changes to government fiscal, monetary or regulatory policies;
- changes in the stock market rating of the Shares relative to other listed shares or securities; and
- other investment options available to investors.

As a consequence, the Shares may trade on the ASX at higher or lower prices than the Offer Price and may not fully reflect the Lynch Group's underlying net asset value. There is also no assurance that the price of the Shares will increase following their quotation on the ASX, even if the Lynch Group's earnings increase.

5.4.2 Trading in shares may not be liquid

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few, or many, potential buyers or sellers of the Shares on the ASX at any given time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

5.4.3 Risk of Shareholder dilution

In the future, the Company may elect to issue Shares, including in connection with fundraisings to facilitate growth or for acquisitions that the Company may decide to make.

Shareholders' interests may be diluted and Shareholders may experience a loss in value of their equity if the Company issues Shares (e.g. as consideration for acquisitions or if the Company funds acquisitions through raising equity capital by issuing Shares to new investors). While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or other securities.

5.4.4 Taxation treatment of Shares may change

Changes in Australian taxation law (including transfer pricing, GST, stamp duties and employment taxes) or changes in interpretation or application of the law by the courts or taxation authorities in Australia may have a material effect on:

- the taxation treatment of an investment in Shares, the holding or disposal of Shares or the treatment of dividends; and
- the financial performance, financial position, cash flows, distributions and growth prospects of the Company and its Share price.

A general outline of the taxation consequences in Australia of investing in Shares is set out in Section 9. The information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. The outline is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor.

An investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

5.4.5 Australian Accounting Standards may change

AAS are set by the AASB and are outside the control of either the Lynch Group or the Directors.

There is a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key income statement and balance sheet items, may differ. Changes to AAS issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

5.4.6 Changes to laws and regulations

The Lynch Group is subject to, and must comply with, a variety of laws and regulations in Australia and China in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, taxation (including GST and stamp duty in Australia) and customs and tariffs.

Changes to laws and regulations in these areas may adversely affect the Lynch Group, including by increasing the Lynch Group's costs either directly (such as an increase in the amount of tax the Company is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact the Lynch Group's future operating and/or financial performance and the price of the Shares.

5.4.7 No guarantee of future dividend payments

There is no guarantee that the Lynch Group will generate sufficient cash flow from its operations in the future to pay dividends. The Company's dividend policy is set out in Section 4.11. Further, the Company expects future dividends to be franked to the maximum extent possible. However, there is no guarantee that the Company will have sufficient franking credits in the future to fully frank dividends or that the imputation system will not be varied or abolished.

In addition, if a portion of the Lynch Group's future earnings are derived from offshore operations, it may not be possible to fully frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.4.8 Force majeure events may occur

Events may occur within or outside Australia that may have potential impacts on the Australian economy, the operations of the Lynch Group and the price of Shares. These events include, but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Lynch Group's products and its ability to conduct business.

5.4.9 General economic and financial market conditions

The operating and financial performance of the Lynch Group is influenced by a variety of general economic, business and financial market conditions.

Prolonged deterioration in general economic conditions, including a decrease in consumer and business demand, could be expected to have a material adverse impact on the financial performance, financial position, cash flows, distributions and growth prospects of the Company and the price of the Shares.

6.

Key Individuals, Interests and Benefits

6. Key Individuals, Interests and Benefits

6.1 Board of Directors

Name	Expertise, experience and qualifications
Patrick Elliott *(Chair and Non-Executive Director)*	Patrick was appointed to the Board of the Company 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 a number of Next Capital portfolio company boards, including as a Director of SilverChef, Alpha Group and iseek. 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 and JB Hi-Fi. 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.
Hugh Toll *(Group Chief Executive Officer and Executive Director)*	Hugh was appointed as Group Chief Executive Officer of the Lynch Group in 2019 and sits on the Board of the Company as an Executive Director. Hugh began his management journey at the Lynch 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 Lynch Group and has overall responsibility for the Lynch Group's strategy. Hugh has an extensive banking and investing 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 from the University of New South Wales and a Master of Commerce from the University of New South Wales.
Peter Clare *(Independent Non-Executive Director)*	Peter was appointed to the Board in 2021 as a 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, SilverChef and Zagga amongst others. Peter is also Chairman of ASX-listed Dubber. 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 also 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 (AICD), Governance Institute of Australia and a fellow of CPA Australia and the Financial Services Institute of Australasia (FINSIA).

Name	Expertise, experience and qualifications
Elizabeth Hallett *(Independent Non-Executive Director)*	Elizabeth was appointed to the Board in 2021 as a 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 of SunSuper, NPP Australia Limited, the Civil Aviation Safety Authority and NSW Land Registry Services. She is also a current reappointed member of the Australian Takeovers Panel. She was previously a director on the board of the Australia-Indonesia Institute, a board established by the Australian Department of Foreign Affairs & Trade. Elizabeth was formerly a partner with international law firm Norton Rose Fulbright for 22 years, including more than 3 years as senior Australian partner in the firm's affiliated Jakarta office. At Norton Rose Fulbright, 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 a Graduate of the AICD Company Directors' Course.
Peter Arkell *(Independent Non-Executive Director)*	Peter was appointed to the Board in 2021 as a 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 has also been a Non-Executive Director of Lynch HK since January 2018. 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 Chairman of AustCham Shanghai, the Australian Chamber of Commerce. He is the Chairman 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 a wide and deep network at the most senior levels of international and Chinese business and government in China.

6.2 Director Disclosures

Section 6.2 sets out information about:

- any company that entered into a form of external administration because of insolvency during the time a Director was an officer of that company (or within a 12 month period afterwards); or
- any legal or disciplinary actions against a Director (or against companies that the Director was a director of at the relevant time) that are less than 10 years old.

6.2.1 Insolvent companies

Patrick Elliott was a Non-Executive Director of:

- RPG Holdings Pty Limited (ACN 126 006 157) to which a voluntary administrator was appointed in October 2012; and
- Australdia Pty Limited (ACN 151 420 549) to which a voluntary administrator was appointed in May 2017.

The other Directors have not been an officer of any company that entered into a form of external administration because of insolvency during the time that a Director was an officer of that company (or within a 12-month period afterwards).

6.2.2 Legal or disciplinary actions

There are no legal or disciplinary actions against a Director (or against companies that a Director was a director of at the relevant time) that are less than 10 years old and are relevant to his/her duties as a Director or to the question of whether to invest in the Company.

6.3 Senior Management of the Lynch Group

The Senior Management team consists of qualified individuals with extensive relevant experience and applicable skills to sales, procurement, customer fulfilment, servicing, human resources, technology, marketing, finance, risk, legal and strategy roles of the Lynch Group. These Senior Managers have gained a variety of experience from a diverse range of organisations in various sectors, including retail, financial services, and FMCG. All Senior Managers are employed by the Company or a Subsidiary of the Company.

Name	Expertise, experience and qualifications
Hugh Toll *(Group Chief Executive Officer)*	Refer to prior Section 6.1 for details.
Steve Wood *(Group Chief Financial Officer)*	Steve is the current Group Chief Financial Officer, having joined the Lynch Group in 2018 as Group Finance Manager. 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 6 years and at Toys R Us for over 5 years. Steve is a qualified Chartered Accountant and is accredited with both CA ANZ (Chartered Accountants Australia and NZ) 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 2000's before transferring to Sydney in 2003 and continuing in the professional Chartered Accounting sector until 2005. Steve holds a Bachelor of Arts from Canterbury Christ Church University.
David Di Pietro *(Chief Executive Officer, Australia)*	David joined the Lynch Group in 2016 where he was appointed as the Lynch Group's General Manager for its Wholesale Division and Group Chief Financial Officer before his current appointment as Chief Executive Officer for the Lynch Group's Australian division. Prior to joining the Lynch Group, David held various senior executive roles in the Australian retail and FMCG sectors. David has been responsible for overseeing the Lynch Group's operations throughout Australia and driving the execution of key initiatives for the Lynch Group's Australian business. David holds a Bachelor of Commerce from the University of Wollongong and is a Fellow of CPA Australia.
John Khalil *(Executive Director, China)*	John is currently Executive Director for the Lynch Group, with responsibility for the Lynch Group's China strategy and operations. John has led the development and expansion of the Lynch Group's operations for over 30 years. He has been instrumental in building the Lynch Group's business in Australia and its national operating footprint, the development of the Lynch Group's global import program, and established and led the Lynch Group's business in China from 2004. John has an extensive background of over 50 years in the global floral and potted industry, and is a recognised leader and innovator across all aspects of the industry supply chain.

Name	Expertise, experience and qualifications
Tianchang (Dennis) Lin *(General Manager, China)*	Tianchang (Dennis) is the General Manager of the Lynch Group's business in China with over 12 years of experience at the Lynch Group, initially joining as a Finance Manager in 2008. Previously, he was Head of Finance of the VDB Group for over 2 years. Tianchang is responsible for the operations of the Lynch Group's business in China. Tianchang holds a Bachelor of International Accounting from the East China University of Science and Technology, and a Master of Business Administration from the East China University of Science and Technology.
Michaelis Bambacas *(Head of Sales, Australia)*	Michaelis has been with the Lynch Group since 2005 and is the Head of Sales for the Lynch Group in Australia, having held that role since 2010. Prior to this role, Michaelis was NSW State Business Manager for the Lynch Group. Michaelis is responsible for overseeing wholesale channels and manages the relationships with all of the Lynch Group's key supermarket customers. He previously sat on the Board of Directors for the Produce and Marketing Association of Australia and New Zealand. Michaelis is a qualified florist specialist holding a Diploma in Floristry from the Society of Florists UK. He has an extensive background in the floral industry, competing in floral competitions nationally and internationally and has a number of years of experience working overseas in Europe where he perfected his craft in floral design.
Dirk Vlaar *(Head of Sales, China)*	Dirk is Head of Sales for the Lynch Group in China, having joined the Lynch Group in 2015. Dirk is responsible for all wholesale and retail sales, and marketing, within the Lynch Group's China operations. Dirk holds a Bachelor of Arts and a Master of Arts from the University of Amsterdam.
Maroun Khalil *(Head of Procurement, Australia)*	Maroun is Head of Procurement for the Lynch Group in Australia and has over 20 years of experience with the Lynch Group. Maroun is responsible for all global procurement operations and global sourcing. Maroun has developed a wide range of knowledge in industry around the flower market, import, growing and management experience within the Lynch Group's business in Australia in purchasing, quality, operations and sales.
Gino Gioia *(Head of Product Design and Innovation, Australia)*	Gino is the Lynch Group's current Head of Product Design and Innovation with over 20 years of experience at the Lynch Group. Gino is responsible for the Lynch Group's product range development, costing and innovation. Gino also manages the design, sourcing and procurement of international and local allied products. Gino is the recipient of the Produce Marketing Association Leadership Development Scholarship.

Name	Expertise, experience and qualifications
Scott Salter *(Chief Scientist)*	Scott is the Chief Scientist at the Lynch Group and has held this role since joining in 2007. Scott is responsible for the Lynch Group's Quality Management System, as well as managing compliance and advocacy roles with respect to Australia's biosecurity laws. Scott holds a Bachelor of Horticultural Science from the University of Sydney. Scott is the co-founder of the Australian Flower Traders Association, and has a long-term seat on the Imported Flower and Foliage Regulation Working Group and Border Optimisation Process Panels established by the Australian Department of Agriculture, Water and Environment. Scott is also the Lynch Group's representative to the International Community of Breeders of Asexually Reproduced Horticultural Plants (CIOPORA), an international association which advocates for the global interests of plant breeders.
Rodney Richards *(General Manager, Business Development)*	Rodney joined the Lynch Group in 2013 where he was appointed as National Commercial Manager and has held other various senior roles within the Lynch Group before his current appointment as General Manager Business Development across Australia and China. Prior to joining the Lynch Group, Rodney has held various senior executive roles in the Australian construction and manufacturing sectors. Rodney is responsible for overseeing the Lynch Group's domestic farming operations throughout Australia, acquisitions and the development of the strategic planning initiatives across the Business. Rodney holds a Bachelor of Business from Federation University and has completed CPA qualifications.

6.4 Interests and benefits

This Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer,

holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.4.1 Non-Executive Directors’ Interests and Remuneration

Non-Executive Director Remuneration

Under the Constitution, the 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 (**Directors’ Remuneration**). Further, under the ASX Listing Rules, 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 Company 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 Lynch 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 Company, 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 Chair of the Board and $100,000 to each of the other Non-Executive Directors. In addition, Directors are paid an additional $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. Superannuation payments are included in the Directors’ fees.

In addition, a one-off fee of $60,000 (exclusive of GST) will be paid to each Non-Executive Director, other than Patrick Elliott, for services provided by each of them in connection with the Offer. Each Non-Executive Director has elected to receive this fee in the form of Shares on Completion of the Offer. See Figure 46 for details of the Directors’ holdings of the Shares on Completion of the Offer.

Figure 46: Non-Executive Director Shareholdings

While Directors are not required under the Constitution to hold any securities (including the Shares), set out below are details of Non-Executive Directors’ relevant interests in the Shares immediately following Completion of the Offer, which includes any purchases made pursuant to the Offer.

Non-Executive Director	Number of Shares	Percentage of Shares
Patrick Elliott	138,889	0.11%
Elizabeth Hallett	27,778	0.02%
Peter Arkell	16,667	0.01%
Peter Clare	69,444	0.06%

6.4.2 Deeds of Access, Indemnity and Insurance

The Company has entered into deeds of access, indemnity and insurance with each Director (**Deed**) which gives each Director the right to access certain books and records of the Company and corresponding Board papers for a seven year period after the Director ceases to hold office as a Director of the Company or any of its Related Bodies Corporate.

Under the Deeds and the Constitution, the Company has agreed to indemnify each of its Director against any liability (including all legal costs) incurred by the Director as an officer of the Company or a Related Body Corporate of the Company, except any liability which is precluded by law from indemnification.

Under the Deed, to the maximum extent permitted by law, a directors and officers insurance policy must be maintained insuring each Director (among others) against liability as a director and officer of the Company and its Related Bodies Corporate for a period of seven years after the Director ceases to hold office as a Director or officer of the Company or a Related Body Corporate of the Company (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

6.4.3 Management Interests and Remuneration

Executive Remuneration

The key management personnel of the Company are set out in Figure 47 (each, an **Executive Manager**). Under the terms of their employment contracts, each Executive Manager will be entitled to receive a fixed annual package described in Figure 47 (inclusive of base salary and any superannuation or non-monetary benefits) (**Executive Remuneration**). Further, each Executive Manager is entitled to participate in the Lynch Group's employee incentive scheme as further described in Section 6.4.4.

Figure 47: Executive Remuneration

Executive Manager	Role	Executive Remuneration
Hugh Toll	Group Chief Executive Officer	$500,000
Steve Wood	Group Chief Financial Officer	$325,000
David Di Pietro	Chief Executive Officer, Australia	$418,200
John Khalil	Executive Director, China	$486,176

In addition, a one-off bonus payment (inclusive of superannuation) will be paid to the employees of the Lynch Group listed in the table below for services provided by each of them in connection with the Offer (**IPO Bonus Payment**). The IPO Bonus Payment includes the payment of FY21 short-term incentives payable to employees of the Lynch Group as a short-term incentive under the Lynch Group's legacy incentive arrangements. See Figure 48 for the quantum of the IPO Bonus Payment that will be paid to these employees.

Figure 48: IPO Bonus Payment

Employee	IPO Bonus Payment
Hugh Toll	$691,998
Steve Wood	$290,367
David Di Pietro	$442,901
John Khalil	$536,357
Other Senior Managers	$720,281
Other employees	$677,773

Executive and Employee Shareholders

The interests of the Senior Managers (including the Executive Managers) are aligned with creating long-term value for the Lynch Group. Shown below are the Shares to be held by the Executive Managers, Senior Managers and employees of the Lynch Group following Completion of the Offer. Shares held by the Executive Managers (personal or through entities controlled by those Executive Managers) following Completion will be subject to escrow arrangements described in Section 10.2 and the Securities Trading Policy described in Section 6.5.6.

Figure 49: Executive and Employee Shareholders

Executive/Group	Number of Shares	Percentage of Shares
Hugh Toll	0.6	0.5%
Steve Wood	0.2	0.2%
David Di Pietro	0.3	0.3%
John Khalil	1.8	1.5%
Other Employees (including Senior Managers)	1.2	1.0%

6.4.4 Incentive Schemes

Long-Term Incentive Scheme

The Company has established the Long Term Incentive Scheme (**LTI Scheme**) to assist in the motivation, reward and retention of Senior Managers and other selected employees. The LTI Scheme is designed to align participants' interests with the interests of Shareholders by providing participants an opportunity to receive Shares through the granting of Options (as described below).

The Options granted under the LTI Scheme will only vest where the conditions (if any) determined by the Board have been satisfied or otherwise waived by the Board at its discretion. Vesting conditions may include the participant remaining employed by a member of the Lynch Group at a particular point in time (i.e. the vesting date) or, for a particular period, the applicable performance conditions being met (i.e. earnings per share (**EPS**) meeting a specific hurdle).

The key terms of the LTI Scheme are in Table 6.1 below. Further details of the initial grants of Options to be made under the LTI on or around Completion are set out in Table 6.2. Following the initial grant of Options, the Board may determine to offer additional awards under the LTI Scheme on similar or different terms and/or operate different equity incentive schemes for employees over time.

Table 6.1: Key Terms of the LTI Scheme

Term	Description
Eligibility	• Senior Managers and other selected employees of the Lynch Group may participate in the LTI Scheme. • Eligibility to participate in the LTI Scheme and the number of Options offered to each participant will be determined by the Board.
Grants	• Under the rules of the LTI Scheme, Options may be offered to eligible participants from time to time. • The Company intends to make offers of Options to the CEO, CFO and other members of Senior Management simultaneously with Completion of the Offer. Details of offers of Options to the CEO and CFO are set out in Table 6.2. The Company intends that the maximum notional value of the Options offered to the CEO and CFO will be 60% of their total fixed remuneration and to other members of Management will be between 10% and 30% of their total fixed remuneration.

Term	Description
Terms and conditions	• The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the LTI Scheme, including: – Any conditions required to be satisfied before an Option will be granted; – Any vesting, performance or other conditions required to be satisfied before Options vest and may be exercised; – Any period during which the relevant vesting conditions must be satisfied before Options vest; – The exercise period during which Options may be exercised, subject to the terms of the LTI Scheme and the offer; – Any applicable issue price and/or exercise price; – Any disposal restrictions on Shares to be issued or transferred upon the exercise of Options; – Whether vested Options can be cash settled as well as equity settled (if both options are available, the actual method of settlement will be determined by the Company); and – Any other specific terms and conditions applicable to the offer. • The specific terms and conditions applicable of an offer must be set out in the offer invitation.
Options	• Each Option confers on its holder the entitlement to receive one or more Shares (by way of issue or transfer, as determined by the Company) at the exercise price (if any) upon exercise of the Option. • Options will not be quoted on the ASX. Subject to the ASX Listing Rules, the Company will apply to the ASX for the quotation of any Shares issued to participants for the purpose of the LTI Scheme.
Ranking of Shares	Shares issued upon vesting and exercise of Options under the LTI Scheme will rank equally in all respects with existing Shares.
Rights attaching to Options	The Options do not carry rights to dividends or voting rights prior to exercise.
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 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 Company in its discretion, an Option may be exercised in accordance with the relevant participant's invitation and by the participant paying the exercise price (if any).

Term	Description
Lapse of Options	Unless otherwise specified in a participant's invitation or otherwise determined by the Board, an Option will lapse on the earliest of: • 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; • The expiry of the exercise period (if any); • In certain circumstances if the participant's employment is terminated; and • In other circumstances specified in the LTI Scheme rules (e.g. where the Board determines that the participant has committed an act of fraud or gross misconduct in relation to the affairs of the Lynch Group).
Cessation of employment of holders of Options	The LTI Scheme contains provisions concerning 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 of 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, subject to the ASX Listing Rules, 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 but all times in accordance with the ASX Listing Rules. • 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 Company 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 Scheme, including facilitating the provision of Shares to participants when Options are exercised.
Expiry Options	• Options will expire on a date fixed in the offer letter to the particular employee. This may vary from employee to employee. • On the expiry date for an Option, the Option will lapse (unless it has been validly exercised).
Amendments	Subject to the ASX Listing Rules, the Board may, in its absolute discretion, amend the LTI Scheme rules, or waive or modify the application of the LTI Scheme 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.

Grants under the LTI Scheme

The Company intends to make an LTI grant of Options to the CEO, CFO and other members of Senior Management, following Completion (**Initial Grant**). Please see Table 6.2 below for details:

Table 6.2: Key Terms of the Initial Grant

Feature	Initial Grant
Size of grant	• Options over an amount of up to 347,976 Shares will be granted under the Initial Grant. • The value of the Options granted will vary between the initial participants. – Hugh Toll will be granted 83,333 Options. – Steve Wood will be granted 54,167 Options. – Other Employees (including Senior Managers) will be collectively granted 210,476 Options.
Issue price	The Options will be issued for nil consideration.
Exercise price	Each Option has an exercise price equal to the Offer Price.
Performance period	Five years following the date of grant of the Options to the relevant participant.
Vesting conditions	• The Options will vest subject to an EPS hurdle and total shareholder return (**TSR**) hurdle over the performance period, with 50% of the Options being subject to the EPS hurdle and the other 50% of the Options being subject to the TSR hurdle. • The EPS vesting percentages will correspond to the Company's annual compounding EPS growth over the performance period (adjusted to take into account one-off items associated with the Offer, if necessary), and are as follows: – Annual compounding EPS less than 12%: 0% of the Options will vest; – Annual compounding EPS equal to 12%: 50% of the Options will vest; – Annual compounding EPS between 12% and 15%: the Options will vest on a straight-line pro rata basis between 50% and 100%; and – Annual compounding EPS greater than 15%: 100% of the Options will vest. • The TSR vesting percentages will be determined by comparison of the Company's TSR against the TSR of companies which comprise the ASX300 index: – Company TSR in the bottom quartile (0%-25%) of the ASX300 index: 0% of the Options will vest; – Company TSR in the second quartile (25%-50%) of the ASX300 index: 33% of the Options will vest; – Company TSR in the third quartile (50%-75%) of the ASX300 index: 66% of the Options will vest; and – Company TSR in the top quartile (75%-100%) of the ASX300 index: 100% of the Options will vest. • 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 Company has achieved the relevant EPS target and TSR target at the end of that year.

Feature	Initial Grant
Vesting conditions *continued*	• To the extent that any Options which vest in years 3 and 4 do not vest due to the Company not achieving the relevant EPS target, those Options will be subject to retesting based on the Company's annual compounding EPS and TSR performance until the Option expires (i.e. in years 4 or 5 (as applicable)). • 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 Lynch Group (and has not resigned or been terminated) at all times up to (and including) the relevant vesting date.
ASX Listing Rule Compliance	• For the purpose of the ASX Listing Rules, the Options are being issued in connection with the Company's initial listing on the ASX to assist in the motivation, reward and retention of executives, Senior Managers and other selected employees. • Details of Hugh Toll's total remuneration package is contained in Section 6.4.3. The Options to be issued to Hugh Toll will have a value of $300,000. • The LTI Scheme is a new plan. Accordingly, no Options have previously been issued to Hugh Toll or other executives or Senior Managers under the plan. • No loans will be made by the Lynch Group to Hugh Toll in relation to the Options. • The details of any Options issued under the LTI Scheme as described above will be published in the Company's annual report relating to the period in which they were issued. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of Options under the LTI Scheme after the Prospectus Date and who are not named in this section will not participate until Shareholder approval is obtained under that rule.

Short-Term Incentive

The Board has determined that the Lynch Group's current remuneration policy for its eligible employees includes an annual incentive program, payments under which are subject to satisfaction of performance criteria set by the Board each year. Payment of short-term incentives in any given year is conditional upon achievement of:

- Performance criteria tailored to each respective role (if any); and
- The Lynch Group's financial performance against criteria set by the Board.

The Board has determined that in respect of FY22, no short-term incentives will be payable in the event that forecast pro forma NPATA for 1H FY22F as set out in this Prospectus is not met.

The Board will determine the relevant short-term incentives and performance criteria for the FY22 year as part of its budgeting process for FY22.

Employee Gift Offer

The Company also has established an Employee Gift Offer. Further details on the Employee Gift Offer are set out in Section 7.6.

6.4.5 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Citigroup Global Markets Australia Pty Limited, Jarden Australia Pty Ltd and J.P. Morgan Securities Australia Limited have acted as Joint Lead Managers to the Offer. The Company has paid, or agreed to pay, the Joint Lead Managers the fees described in Section 10.1 for these services;
- Stanton Road Partners Pty Ltd has acted as Financial Adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately $2.5 million (excluding disbursements and GST) for these services;
- Bell Potter has acted as a Co-Lead Manager to the Offer. The Joint Lead Managers have agreed to pay Bell Potter the fees described in Section 10.1.1). In addition, the Company has paid, or agreed to pay, a fee of $200,000 (inclusive of GST) to Bell Potter to provide services in connection with the Offer;

- Ord Minnett has acted as a Co-Lead Manager to the Offer. The Joint Lead Managers have agreed to pay Ord Minnett the fees described in Section 10.1.1). In addition, the Company has paid, or agreed to pay, a fee of $200,000 (inclusive of GST) to Ord Minett to provide services in connection with the Offer;
- PricewaterhouseCoopers has acted as the Company's Australian legal and tax adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately $1.3 million (excluding disbursements and GST) for these services up until the Prospectus Date; and
- Deloitte Corporate Finance Pty Limited has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately $0.8 million in total (excluding disbursements and GST) for the above services up until the Prospectus Date.

6.5 Corporate Governance

The Board recognises the importance of strong corporate governance and is committed to high standards of governance and compliance. A summary of the policies and charters of the Company are set out in this Section 6.5. Copies of these policies and charters will be made available at www.lynchgroup.com.au.

6.5.1 ASX Recommendations

Under the ASX Listing Rules, the Company will be required to annually provide a statement to ASX disclosing the extent to which it has or has not followed the recommendations issued by the ASX Corporate Governance Council (**ASX Recommendations**). The Company intends to comply with all of the ASX Recommendations from the time of Listing, with the exception of the ASX Recommendation 2.5.

ASX Recommendation 2.5 provides that the Chairman of the Company should be an independent Non-Executive Director. The Non-Executive Chairman, Patrick Elliott, is not considered by the Board to be an 'independent' Director (for the purpose of assessing the independence of directors under the ASX Recommendations) given that he is a partner of Next Capital. Despite this, the Board believes that Mr Elliott is the most appropriate person to lead the Board as its non-executive Chairman given his expertise as a professional investor with experience in investing in various sectors, including the retail and consumer goods sector and experience in various roles across these investments. The Board considers that Mr Elliott adds significant value to its deliberations and expects that he will continue to bring objective and independent judgement to the Board's deliberations.

6.5.2 Board of Directors

The Board of Directors comprises five Directors, being a Non-Executive Chairman, one Executive Director and three independent Non-Executive Directors. Detailed biographies of the Directors are provided in Section 6.1. The Board considers Directors to be independent (for the purposes of the ASX Recommendations) where they are not members of Management (a Non-Executive Director) and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered judgement.

The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist in this regard. The Board regularly reviews the independence of each Director in light of information disclosed by each Director to the Board. The Board considers that each of Peter Clare, Peter Arkell and Elizabeth Hallett is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement and is able to fulfil the role of an independent Director for the purpose of the ASX Recommendations.

Patrick Elliott and Hugh Toll are currently considered by the Board not to be independent for the purpose of the ASX Recommendations.

Hugh Toll is currently the Lynch Group's Chief Executive Officer of the Company and therefore is not considered independent. Patrick Elliott is currently a partner at Next Capital. Next Capital advises funds which collectively hold 12.7% of the Shares on Completion. Accordingly, Patrick Elliott is not considered by the Board to be independent for the purposes of the ASX Recommendations.

Although Patrick Elliott and Hugh Toll are not considered to be independent (for the purpose of the ASX Recommendations) the Board considers that they both add significant value to deliberations with their considerable experience and skills. Furthermore, all Directors have the right to seek independent professional advice, subject to necessary approvals, as and when required.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Company and in accordance with their duties as Directors.

6.5.3 Board Charter and Committees

Board Charter

The Board has adopted a written board charter (**Board Charter**) which is designed to provide a framework for the effective operation of the Board in overseeing the operations and activities of the Company.

The Board Charter sets out:

- the roles and responsibilities of the Board, including to provide overall strategic guidance, oversight of risk management and reporting, effective oversight of Management, monitoring of the Board and Management performance and oversight of governance;
- the roles and responsibilities of the Chair and the company secretary;
- the membership of the Board, including in relation to the Board's composition and size and the process of selection and re-election of Directors, terms of appointment of Directors, independence of Directors and conduct of individual Directors;
- the delegations of authority of the Board to Senior Managers and other Management;
- the delegations of authority to the committees of the Board; and
- the Board process, including how the Board meets.

The management function is conducted by, or under the supervision of, the Senior Managers as directed by the Board (and by officers to whom the management function is properly delegated by the Senior Managers).

The Board collectively, and individual directors, may seek independent professional advice at the Company's expense, subject to the approval of the Chair or if the Chair is the relevant director, with the approval of the Chair of the Audit and Risk Committee.

In addition, the Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk committee and a Remuneration and Nomination committee.

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board in carrying out its auditing and financial reporting responsibilities including:

- overseeing the Lynch Group's relationship with the external auditor and the external audit function generally;
- overseeing the Lynch Group's relationship with the internal auditor and the internal audit function generally (if any);
- overseeing the preparation of the financial statements and reports;
- overseeing the Lynch Group's financial controls and systems; and
- managing the process of identification and management of business and financial risk.

The Audit and Risk Committee charter provides that the committee must comprise of all Non-Executive Directors, a majority of whom are independent, an independent chair who is not the chair of the Board and a minimum of three Directors.

As at the Prospectus Date, the Audit and Risk Committee comprises:

- Peter Clare (Audit and Risk Committee chair);
- Elizabeth Hallett; and
- Peter Arkell,

all of whom are independent, Non-Executive Directors.

The Audit and Risk Committee will be empowered to establish relevant sub-committees.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for final approval of matters relating to succession planning, nomination of Directors and Senior Managers and remuneration of the Directors, Senior Managers and executives reporting to them.

The role of the Remuneration and Nomination Committee 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 Executive Directors and Senior Managers of the Lynch 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 Senior Managers) 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 Lynch 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 Company's Diversity Policy by assessing the Company'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; and
- in accordance with the Company's Diversity Policy, on an annual basis, review the relative proportion of women and men in the workforce at all levels of the Company, and submit a report to the Board which outlines the Committee's findings.

As at the Prospectus Date, each Remuneration and Nomination Committee comprises:

- Elizabeth Hallett (Remuneration and Nomination Committee chair);
- Peter Arkell; and
- Peter Clare,

all of whom are Independent, Non-Executive Directors.

6.5.4 Diversity Policy

The Company has adopted a Diversity Policy in order to ensure a work environment where people are treated fairly and with respect notwithstanding their gender, ethnicity, disability, age or educational experience. The Board will include in its corporate governance statement each year a summary of the Company's progress towards achieving the measurable objectives set under this policy for the year to which the corporate governance statement relates and details of the measurable objectives set under this policy for the subsequent financial year.

6.5.5 Continuous Disclosure Policy

The Company places a high priority on communication with Shareholders and is aware of the obligations it will have once listed on the ASX under the ASX Listing Rules and the Corporations Act, to keep the market fully informed of any information the Company becomes aware of concerning it which is generally not available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company has adopted a Continuous Disclosure Policy which establishes procedures to ensure that Directors and employees of the Lynch Group are aware of, and fulfil their obligations in relation to, the timely disclosure of material price sensitive information.

The Company has established a Disclosure Committee, which will comprise:

- Patrick Elliott (Disclosure Committee chair);
- Hugh Toll; and
- Steve Wood.

The Chairman of the Board, the Lynch Group Chief Executive Officer, the Chief Financial Officer and any other person who is expressly authorised in writing by the Board are authorised spokespersons for the Company.

The secretary of the Company will act as the ASX liaison person for the Company.

6.5.6 Securities Trading Policy

The Company has adopted a Securities Trading Policy in respect of trading in the Shares and any other securities issued by the Company from time to time.

The Securities Trading Policy will apply to the Company and the Directors, Senior Management, officers and other employees of the Lynch Group.

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in Shares that is prohibited under the Corporations Act and establish procedures in relation to Directors or employees of the Lynch Group dealing in the Shares. Subject to certain exceptions, including exceptional financial circumstances, the Securities Trading Policy defines certain "blackout periods" during which trading in the Shares by Company Directors and employees of the Lynch Group is prohibited.

The Chairman of the Board may declare a trading window closed at any time.

6.5.7 Code of Conduct

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards.

All employees of the Company (including temporary employees, contractors and the officers) must comply with the Code of Conduct.

6.5.8 Whistleblower Policy

The Board has adopted a Whistleblower Policy which encourages the reporting of any instances of suspected unethical, illegal, fraudulent or undesirable conduct involving the Business. This includes:

- Dishonesty or fraud;
- Unsafe work practices;
- Illegal or unethical activities;
- A breach of the Lynch Group's policies or procedures; or
- Any act that could cause financial or reputational loss.

The Whistleblower Policy provides a safe and supportive framework for those eligible to make a report to raise concerns without fear of retribution. A whistleblower report will automatically be treated anonymously unless agreed otherwise by the reporter. This policy also sets out the Lynch Group's commitment to investigating all matters reported in an objective and fair manner and as soon as possible after the matter has been reported. In particular, the Company's Audit and Risk Committee will be informed of the findings of any investigation conducted in accordance with the Whistleblower Policy.

6.5.9 Anti-Bribery and Corruption Policy

The Company is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which the Lynch Group operates, including those relating to anti-bribery and corruption. Accordingly, the Board has adopted an Anti-Bribery and Corruption Policy which sets out the responsibilities of the Company and the Lynch Group employees in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption. In particular, the Board or a committee of the Board must be informed of any material breaches of the Anti-Bribery and Corruption Policy.

6.5.10 Communication Strategy for the Company

The Board aims to ensure Shareholders are kept informed of all major developments affecting the state of affairs of the Company.

All ASX announcements made to the market, including annual and half year financial results, will be posted on the Lynch Group website at www.lynchgroup.com.au as soon as practicable following their release by the ASX. Copies of all investor presentations made to analysts and media briefings will also be posted on the Lynch Group website.

6.6 Related Party Arrangements

6.6.1 Business Arrangements

Lease Arrangements

The Lynch Group has entered into a number of real property leases with entities that are controlled by Leo Lynch and his associates. All of these leases are on arms' length terms (including market rental rates) and have been entered into for use in the ordinary course of the Lynch Group's business.

Table 6.3 Lease Arrangements

Location	Premises description	Lease expiry	Annual Rent (excluding GST)
24 Helles Avenue, Moorebank, NSW 2170	Head office, processing and distribution centre	11 November 2022 (with an option for 1 year)	$1,012,860
Lots 63-65 East Derrimut Crescent, Derrimut Crescent, VIC 3030	Processing and distribution centre	30 June 2023 (option to renew for 5 years)	$452,460
191 Dundas Road, High Wycombe, WA 6057	Processing and distribution centre	30 June 2021 (option to renew for 5 years)	$227,100
259 Boundary Road, Thornlands, QLD 4164	Farm	14 June 2025 (option to renew for 5 years)	$286,776
457 Barracca Road, Chittering, WA 6084	Farm	10 March 2029 (option to renew for 5 years)	$261,108
26 & 28 Kiln Road, Nowergup, WA 6032	Farm	13 April 2024	$69,685
Shed H, Warehouse 8, Sydney Markets NSW 2129	Warehouse facility	6 February 2022	$240,000

Supply Arrangements

In addition, the Lynch Group sources floral products from a number of growers and suppliers who are related to entities that are controlled by Leo Lynch and his associates. These supply arrangements include:

- ongoing supply of potted herbs and certain floral lines from Rossmore Plants & Herbs in Rossmore, NSW and a flower farm located in Dural, NSW, which are farms owned by the Lynch Family; and
- ongoing supply of wildflower products from Australian Wildflowers Pty Limited, a company controlled by the Lynch Family.

These supply arrangements are not material to the Business, are on arms' length terms (including market rates of supply of product) and are conducted in the ordinary course of the Lynch Group's business.

6.6.2 Shareholder Loans

The Company has received loans from some of its Existing Shareholders, including Next Capital, Axiom and the Founder Shareholders. Each of those Existing Shareholders have entered into a shareholder loan agreement with the Company for a term of 9 years 350 days. The aggregate value of these shareholder loans is approximately $11.4 million. It is expected that these shareholder loans will be repaid from the proceeds of the Offer and the loans will be discharged upon repayment.

7.

Details of the Offer

7. Details of the Offer

7.1 Description of the Offer

This Prospectus relates to the offer of 35.4 million New Shares by the Company and the sale of 21.9 million Existing Shares (which will be facilitated by SaleCo) at an Offer Price of $3.60 per Share (**Offer Price**). The Shares offered under this Prospectus will represent approximately 46.9% of the Shares on issue on Completion of the Offer. The total number of Shares on issue at Completion will be 122.1 million and all Shares on issue will rank equally with each other.

At the Offer Price, the Offer is expected to raise a minimum of $206.1 million, comprising $127.4 million from the issue of New Shares by the Company and $78.7 million for the sale of Existing Shares through SaleCo.

A summary of the rights attaching to the Shares are set out in Section 10.3.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- The **Institutional Offer**, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions, made under this Prospectus.
- The **Retail Offer**, which consists of the:
  - **Broker Firm Offer:** which is open to investors with a registered address in Australia who have received a firm allocation from their Broker;
  - **Priority Offer:** which is open to selected investors in eligible jurisdictions who have received a Priority Offer invitation; and
  - **Employee Gift Offer:** which is open only to Eligible Employees.

No general public offer of Shares will be made under the Offer.

Details of the:

- Institutional Offer and the allocation policy under it are described in Section 7.3;
- Broker Firm Offer and the allocation policy under it are described in Section 7.4;
- Priority Offer and the allocation policy under it are described in Section 7.5; and
- Employee Gift Offer and the allocation policy under it are described in Section 7.6.

The allocation of Shares between the Institutional Offer, Broker Firm Offer, Priority Offer and Employee Gift Offer was determined by the Joint Lead Managers in agreement with the Offerors, having regard to the allocation policies outlined in this Section 7.

The Offer (with the exception of the Employee Gift Offer) has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 10.1.

7.1.2 Purpose of the Offer

The Offer is being conducted to:

- finance the acquisition of the remaining 80% interest in VDB Asia from Van den Berg Roses Asia B.V and Bridge International Holding Limited pursuant to the VDB Acquisition Agreement;
- repay corporate debt, including loans to certain Existing Shareholders, of the Lynch Group;
- allow Existing Shareholders to realise all or a portion of their investment in the Company through the sale of some or all of their Existing Shares through SaleCo;
- broaden the Company's shareholder base and provide a liquid market for its Shares;
- provide the Company with the benefits of an increased brand profile that arises from being a publicly listed entity; and
- pay transaction costs.

7.1.3 Sources and uses of funds

Sources	$m
Cash proceeds received for New Shares issued under the Offer	$127.4
Cash proceeds received for Existing Shares transferred under the Offer	$78.7
Total sources	**$206.1**

Uses	$m
Payment of cash component of VDB Purchase Price	$33.4
Repayment of corporate debt	$74.5
Payment to Existing Shareholders of proceeds from the sale of 21.9 million Existing Shares	$78.7
Payment of costs of the Offer	$19.5
Total uses	**$206.1**

The table above is a statement of the Company's current intentions as at the Prospectus Date. The Board retains the right to vary these uses of funds, acting in the best interests of the Company and as circumstances require.

7.1.4 Shareholding structure

Details of the ownership of Shares immediately prior to the Offer and the ownership of Shares as expected at Completion are set out in the table below:

Existing Shareholder	Shares held immediately prior to Completion		Sell down %	Shares held on Completion	
	m	%	%	m	%
Next Capital	30.3	35.0%	30%	21.2	17.4%
Founder Shareholders	26.0	30.0%	30%	18.2	14.9%
Axiom	10.0	11.6%	30%	7.0	5.7%
Hugh Toll	0.6	0.7%	0%	0.6	0.5%
Steve Wood	0.3	0.4%	30%	0.2	0.2%
Other Management Shareholders	3.4	3.9%	55%	1.5	1.3%
VDB Shareholders[48]	15.9	18.3%	N/A	15.9	13.0%

Some Existing Shareholders will sell all or a portion of their Shares into the Offer through their arrangements with SaleCo (see Section 11.3). At Completion, Shares retained by the Escrowed Shareholders will be subject to voluntary escrow arrangements. See Section 10.2 for further information.

7.1.5 Control implications of the Offer

The Directors do not expect any single Shareholder to control the Company on Completion (based on the definition of "control" in Section 50AA of the Corporations Act).

7.1.6 Working capital

The Directors believe that, on Completion, the Company will have sufficient working capital from the funds raised from the Offer, the Lynch Group's operations and the Lynch Group's committed lines of debt facilities to carry out its objectives as stated in this Prospectus. See Section 4.9.8 for further details.

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[48] VDB Shareholders will become Existing Shareholders upon completion of the VDB Acquisition, which is expected to occur shortly prior to Completion.

7.1.7 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty should be payable by Applicants who apply for Shares using an Application Form.

Investors who buy or sell Shares on the ASX may be subject to brokerage and other transaction costs. Under current legislation, there should be no stamp duty payable on the sale or purchase of Shares on the ASX.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 10.3.
What is the consideration payable for the Shares?	Successful Applicants under the Offer will pay the Offer Price, being $3.60 per Share.
What is the Offer Period?	The Retail Offer will open at 9.00am (Sydney Time) on Tuesday, 23 March 2021 and will close at 5.00 pm (Sydney Time) on Wednesday, 31 March 2021. The key dates, including details of the Offer Period, are set out on page 4 of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. The Offerors, in consultation with the Joint Lead Managers, reserve the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. No Shares will be issued or transferred on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.
What are the cash proceeds to be raised under the Offer?	Approximately $206.1 million will be raised if the Offer proceeds (comprising $127.4 million from the issue of New Shares by the Company for the Lynch Group's benefit and $78.7 million for the sale of Existing Shares).
Who are the Joint Lead Managers for the Offer?	The Joint Lead Managers are Citigroup Global Markets Australia Pty Limited, Jarden Australia Pty Ltd and J.P. Morgan Securities Australia Limited.

Topic	Summary
Is the Offer underwritten?	The Joint Lead Managers have fully underwritten the Offer (other than the Employee Gift Offer) pursuant to the Underwriting Agreement. Details are provided in Section 10.1.
What is the minimum and maximum application size under the Retail Offer?	**Broker Firm Offer** The minimum Application size under the Broker Firm Offer is $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer, unless directed by your Broker. **Priority Offer** The minimum Application size under the Priority Offer is $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. The maximum number of Shares that may be applied for under the Priority Offer will be set out in the personalised Priority Offer invitation. **Employee Gift Offer** Applications under the Employee Gift Offer must be for the exact number of Shares set out in the personalised offer invitation provided to an Eligible Employee. The Offerors, along with the Joint Lead Managers, reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, as bids in the Institutional Offer or to reject or scale back Applications. The Offerors, along with the Joint Lead Managers, also reserve the right to aggregate any Applications believed to be multiple applications from the same person.
What is the allocation policy?	The allocation of Shares between the Institutional Offer, Broker Firm Offer, Priority Offer and Employee Gift Offer was determined by agreement between the Offerors and the Joint Lead Managers, having regard to the allocation policy outlined in Sections 7.3.2, 7.4.4, 7.5.4 and 7.6.3. • **Institutional Offer:** The allocation of Shares among bidders in the Institutional Offer was determined by the Offerors and the Joint Lead Managers. • **Broker Firm Offer:** For Broker Firm Offer participants, the relevant Broker will decide how they allocate Shares amongst their retail clients. The relevant Broker (and not the Offerors nor the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation of Shares from the Broker actually receive those Shares. • **Priority Offer:** With respect to the Priority Offer, the allocation of Shares to invitees is at the absolute discretion of the Offerors, provided that those allocations (in aggregate) do not exceed $4.08 million worth of Offer Shares. • **Employee Gift Offer:** The allocation of Shares under the Employee Gift Offer is guaranteed to Eligible Employees. The Joint Lead Managers and the Offerors have absolute discretion regarding the allocation of Shares to Applicants and may reject an Application or allocate a lesser number of Shares than applied for. The Joint Lead Managers and the Offerors also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.

Topic	Summary
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or about Monday, 12 April 2021. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion of the Offer.
Will the Shares be quoted?	The Company will apply within seven days of the Prospectus Date to the ASX for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code "LGL"). Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by us from time to time. The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the Company may be admitted to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for sale.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or around Tuesday, 6 April 2021 on a conditional and deferred settlement basis. Shares are expected to commence trading on the ASX on or around Friday, 9 April 2021 on a normal settlement basis once the Company has advised the ASX that initial holding statements have been dispatched to Shareholders. It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Offerors, their respective Directors and officers along with the Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Lynch Group Offer Information Line.
Are there any escrow arrangements?	Yes. Details are provided in Section 10.2.
Has any ASIC relief or ASX waiver been sought or obtained?	Yes. Details are provided in Section 11.4.
Are there any taxation considerations for Australian investors?	Yes. Refer to Section 9.

Topic	Summary
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer. See Section 6.4.5 for details of various fees payable by the Lynch Group to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers (on behalf of the Company).
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Lynch Group Offer Information Line on 1800 129 386 (toll free within Australia) or +61 1800 129 386 (outside Australia) from 8.30am until 5.30pm (Sydney Time) Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Institutional Offer

7.3.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain institutional investors in Australia and a number of other eligible jurisdictions outside the United States to bid for an allocation of Shares at the Offer Price. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.3.2 Allocation policy under the Institutional Offer

The allocation of Shares among bidders in the Institutional Offer was determined by agreement between the Joint Lead Managers and the Offerors. The Offerors and the Joint Lead Managers had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced, but not constrained, by the following factors:

- the number of Shares bid for by particular applicants;
- the timeliness of the bid by particular applicants;
- the Company’s desire for an informed and active trading market following listing on the ASX;
- the Company’s desire to establish a diversified spread of institutional Shareholders;
- the overall level of demand under the Institutional Offer, Broker Firm Offer, Priority Offer and the Employee Gift Offer;
- the likelihood that particular bidders will be long-term Shareholders; and
- any other factors that the Offerors and the Joint Lead Managers considered appropriate, in the Offerors’ sole discretion.

7.4 Broker Firm Offer

7.4.1 Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia and are not located in the United States. If you have received an invitation to participate from your Broker, you will be treated as eligible to apply for Shares under the Broker Firm Offer.

You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.4.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or Application Monies to the Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Broker Firm Offer Application Form or download a copy at https://events.miraqle.com/lynchgroup-ipo. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00 pm (Sydney Time) on the Offer Closing Date for the Retail Offer (5.00 pm (Sydney Time) on Wednesday, 31 March 2021) or any earlier closing date as determined by your Broker.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

If you make an Application under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation of Shares. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

The minimum Application under the Broker Firm Offer is $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.

The Offerors and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. Any amount applied for in excess of the amount allocated to you, will be refunded by your Broker in full (without interest). The Offerors may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer application procedures or requirements, in their discretion in compliance with applicable laws.

The Offerors, the Joint Lead Managers and the Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney Time) on Tuesday, 23 March 2021 and is expected to close at 5.00pm (Sydney Time) on Wednesday, 31 March 2021. The Offerors and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.4.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions provided by that Broker.

7.4.4 Allocation policy

The allocation of Shares to the Broker Firm Offer, and the identity and level of participation of Brokers participating in the Broker Firm Offer, have been determined by agreement between the Joint Lead Managers and the Offerors. Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of the Offerors and the Joint Lead Managers to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not the Offerors or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares. Applicants under the Broker Firm Offer should confirm their allocation through the Broker from whom they received their allocation. However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Lynch Group Offer Information Line or confirmed your allocation through a Broker.

The Offerors, their respective directors and officers, the Joint Lead Managers and the Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Lynch Group Offer Information Line or confirmed your firm allocation of Shares through a Broker.

7.4.5 Acceptance of applications

An Application under the Broker Firm Offer is an offer by the Applicant to the Offerors to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on Settlement and the quotation of Shares on the ASX on an unconditional basis.

The Offerors and the Joint Lead Managers reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom the Company believes is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

The final allocation of Shares to Applicants in the Broker Firm Offer will be at the Offerors' absolute discretion and the Offerors may reject an Application or allocate fewer Shares than the number or equivalent dollar amount applied for.

7.4.6 Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will be mailed (or otherwise in the Offerors' discretion provided with) a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Offerors.

7.5 Priority Offer

7.5.1 Who may apply

The Priority Offer is open to investors who have received an invitation to participate in the Priority Offer from the Company and who have a registered address in Australia and are not located in the United States. If you have been invited by the Company to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you and you will receive a personalised invitation to apply for Shares in the Priority Offer.

7.5.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. The maximum number of Shares that may be applied for under the Priority Offer will be set out in the personalised Priority Offer invitation.

Applications must be received by the Registry on or before the Offer Closing Date, being 5.00pm (Sydney Time) on Wednesday, 31 March 2021.

7.5.3 How to pay

Payment must be made in Australian dollars and via BPAY® or direct bank transfer in accordance with the instructions provided on your personalised invitation. Application monies must be received by the Registry by 5.00pm (Sydney Time) on Wednesday, 31 March 2021. It is your responsibility to ensure that your BPAY® payment is received by the Registry by no later than 5.00pm (Sydney Time) on Wednesday, 31 March 2021. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.5.4 Allocation policy

The aggregate number of Shares offered under the Priority Offer will not exceed $4.08 million worth of Shares in aggregate. The allocation of Shares to Applicants under the Priority Offer will be made at the absolute discretion of the Offerors. The Offerors may reject an Application or allocate a lesser dollar amount of Shares than the amount applied for, in their absolute discretion.

7.6 Employee Gift Offer

7.6.1 Who may apply

All Eligible Employees are entitled to participate in the Employee Gift Offer.

A separate personalised offer letter, together with this Prospectus, will be provided to Eligible Employees, detailing the terms of the Employee Gift Offer. Eligible Employees should read the separate offer letter and this Prospectus carefully and in their entirety before deciding to apply under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.6.2 How to apply

A separate personalised offer invitation, together with this Prospectus, will be provided to Eligible Employees, detailing the terms of the Employee Gift Offer. Eligible Employees will be offered the opportunity to apply for $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price) at no cost.

Applications under the Employee Gift Offer must be for the exact number of Shares set out in the separate personalised offer letter provided to that Eligible Employee.

7.6.3 Allocation policy

Applicants under the Employee Gift Offer will receive a guaranteed allocation of $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.6.4 Further information about the Employee Gift Offer

The Shares offered under the Employee Gift Offer will be transferred to Applicants at or shortly after Completion. Participation in the Employee Gift Offer does not automatically entitle Eligible Employees to participate in future grants under any other employee incentive program, scheme or plan implemented by the Company.

Eligibility to participate in any future grant, and the terms and conditions of any future grant, under any such employee incentive plan is determined by the Board in its absolute discretion.

Shares transferred to Applicants (**Employee Shareholder**) under the Employee Gift Offer will be subject to disposal restrictions for three years from the date of transfer (**Disposal Period**).

At the end of the Disposal Period, Employee Shareholders will, subject to the Securities Trading Policy, be free to deal with the Shares.

Shares transferred under the Employee Gift Offer are not subject to forfeiture and carry the same rights and entitlements of the Shares, including distribution and voting rights. The Company may, at its discretion, use an employee share trust or other mechanism to acquire Shares (on or off market) for allocation to an Employee Shareholder in the Employee Gift Offer.

Not all Employee Shareholders in the Employee Gift Offer will be able to take advantage of the taxation concession under the Australian tax legislation to acquire the Shares income tax-free.

7.7 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares outside Australia and certain other international jurisdictions. See Section 11.6 for a summary of the international offer restrictions.

This Prospectus does not constitute an offer or invitation to subscribe for or acquire the Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus. Each Applicant under the Institutional Offer will be required to make certain additional representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.8 Discretion regarding the Offer

The Offerors may withdraw the Offer at any time before the issue and transfer of Shares to Successful Applicants under the Institutional Offer, Broker Firm Offer, Priority Offer and Employee Gift Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Offerors, in consultation with the Joint Lead Managers, reserve the right to extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant fewer Shares than the amount applied or bid for.

7.9 ASX Listing, registers and holding statements and deferred settlement trading

7.9.1 Application to the ASX for the Listing of the Company and quotation of Shares

The Company will apply for admission to the Official List of the ASX and quotation of the Shares on the ASX, no later than seven days after the Prospectus Date. The Company's ASX code is expected to be "LGL".

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Offerors will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.9.2 CHESS and issuer sponsored holdings

The Company has applied to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an automated electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

The Shares of Shareholders who are participants in CHESS or Shareholders sponsored by participants in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's HIN for CHESS holders or, where applicable, the Shareholder's SRN of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Registry in the case of a holding on the issuer sponsored subregister. The Company and the Registry may charge a fee for these additional issuer sponsored statements.

7.9.3 Conditional and deferred settlement trading and selling Shares on-market

It is expected that trading of the Shares on the ASX will commence on or about Tuesday, 6 April 2021, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications will be conditional on the ASX agreeing to quote the Shares on the ASX and on Settlement and the issue and transfer of the Shares occurring. Trades occurring on ASX before Settlement and on the issue and transfer of Shares occurring will be conditional on Settlement and the issue and transfer occurring.

Conditional trading will continue until the Company has advised ASX that: (i) the Underwriting Agreement is not terminated and has become unconditional; (ii) SaleCo's acceptance of the irrevocable offer to sell the Existing Shares made by the Existing Shareholders to SaleCo; (iii) SaleCo has transferred those Shares to Successful Applicants under the Offer; and (iv) the Company has issued the New Shares to Successful Applicants under the Offer, which is expected to be on or about Thursday, 8 April 2021.

Normal settlement trading (i.e. trading on a T+2 settlement basis) is expected to commence on or about Friday, 9 April 2021.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. To the maximum extent permitted by law, the Offerors, the directors of the Offerors, the Joint Lead Managers and the Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Lynch Group Offer Information Line, by a Broker or otherwise.

8.

Investigating Accountant's Report

8. Investigating Accountant's Report

Deloitte Corporate Finance Pty Limited
ACN 003 833 127
AFSL 241457

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The Directors
Lynch Group Holdings Limited
24 Helles Avenue
Moorebank NSW 2170

The Directors
Lynch SaleCo Limited
Level 31, 25 Bligh Street
Sydney NSW 2000

12 March 2021

Dear Directors,

INVESTIGATING ACCOUNTANT'S REPORT ON THE HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of Lynch Group Holdings Limited (ACN 608 543 219) (the Company) and Lynch SaleCo Limited (ACN 647 957 273) (SaleCo) for inclusion in a prospectus (the Prospectus) to be issued in respect of the initial public offering of fully paid ordinary shares (Shares), through an issue of new Shares by the Company and transfer of existing Shares by SaleCo (the Offer) and the subsequent listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the *Corporations Act 2001* (Cth) for the issue of this report.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review:

- the statutory historical consolidated income statements for the financial years ended 30 June 2019 and 28 June 2020, and the half-years ended 29 December 2019 and 27 December 2020;
- the statutory historical consolidated statement of financial position as at 27 December 2020; and
- the statutory historical consolidated cash flows for the financial years ended 30 June 2019 and 28 June 2020, and the half-years ended 29 December 2019 and 27 December 2020,

as set out in Tables 4.4, 4.19 and 4.17 of the Prospectus (the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Statutory Historical Financial Information for 30 June 2019 and 28 June 2020 has been derived from the consolidated special purpose financial statements for the financial years ended 30 June 2019 and 28 June 2020 of the Company, which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Certain reclassifications have been made to the statutory financial information. Deloitte Touche Tohmatsu issued an unmodified audit opinion on each of the financial statements.

The Statutory Historical Financial Information for the half-years ended 29 December 2019 and 27 December 2020 has been derived from the half-year consolidated interim general purpose financial statements for 27 December 2020 of the Company (which included comparative financial information for the half-year ended 29 December 2019), which was reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified review conclusion on the consolidated interim financial statements.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001* (Cth).

Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review:

- the pro forma historical consolidated income statements for the financial years ended 30 June 2019 and 28 June 2020, and the half-years ended 29 December 2019 and 27 December 2020;
- the pro forma historical consolidated statement of financial position as at 27 December 2020; and
- the pro forma historical consolidated cash flows for the financial years ended 30 June 2019 and 28 June 2020, and the half-years ended 29 December 2019 and 27 December 2020,

as set out in Tables 4.2, 4.3, 4.19, 4.15 and 4.16 of the Prospectus (the Pro Forma Historical Financial Information)

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Sections 4.3.4, 4.7.1 and 4.6.4 of the Prospectus (the Pro Forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review:

- the statutory forecast consolidated income statements and the statutory forecast consolidated cash flows of the Company for the financial year ending 27 June 2021 and the for the half-year ending 26 December 2021, as set out in Tables 4.2, 4.3, 4.15 and 4.16 of the Prospectus (the Statutory Forecast Financial Information); and
- the pro forma consolidated income statement and the pro forma forecast consolidated cash flows of the Company for the financial year ending 27 June 2021, the half-year ending 26 December 2021 and the calendar year ending 26 December 2021 as set out in Tables 4.2 and 4.15 of the Prospectus (the Pro Forma Forecast Financial Information).

(together the Forecast Financial Information).

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The Director's best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.8 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro Forma Adjustments described in Sections 4.3.4 and 4.6.4 of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at 28 December 2020.

Due to its nature the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the financial year ending 27 June 2021, the half-year ending 26 December 2021 and the calendar year ending 26 December 2021.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial year ending 27 June 2021, the half-year ending 26 December 2021 and the calendar year ending 26 December 2021. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecasts since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and /or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any option on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly, prospective investors should have regard to the investment risks and sensitivities set out in Section 5 and 4.10 of the Prospectus.

The sensitivity analysis set out in Section 4.10 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information;

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- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Statutory Historical Financial Information

- a review of the extraction of Statutory Historical Financial Information from the audited financial statements of the Company for the financial years ended 30 June 2019 and 28 June 2020 and the reviewed interim financial report of the Company for the half-year ended 27 December 2020;
- analytical procedures on the Statutory Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of Company's work papers, accounting records and other documents; and
- enquiry of Directors and management of the Company and others in relation to the Historical Financial Information.

Pro Forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information of the Company from the audited financial statements for the financial years ended 30 June 2019 and 28 June 2020 and the reviewed interim financial report of the Company for the half-year ended 27 December 2020;
- consideration of the appropriateness of Pro Forma Adjustments described in Sections 4.3.4, 4.7.1 and 4.6.4 of the Prospectus;
- enquiry of Directors, management and personnel of the Company and advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;

- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

Forecast Financial Information

- enquiries, including discussions with management of the Company and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used by the Company in the preparation of the Forecast Financial Information;
- review of the compilation of the calendar year ending 26 December 2021 by adding the half-year ending 26 December 2021 to the year ending 27 June 2021 and deducting the half-year ended 27 December 2020; and
- consideration of the Pro Forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro Forma Forecast Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not prepared or presented in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared or presented in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.2 of the Prospectus.

The Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information

(ii) in all material respects, the Statutory Forecast Financial Information:

  a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.8 of the Prospectus,

  b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards

(iii) the Statutory Forecast Financial Information itself is unreasonable.

The Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information

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(ii) in all material respects, the Pro Forma Forecast Financial Information:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.8 of the Prospectus,

b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred as at 29 June 2020

(iii) the Pro Forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.1 and 'Important Notices' of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

Ian Turner Authorised Representative (AFSL Number 241457) AR number 461016	**Sarah Avis** Authorised Representative (AFSL Number 241457) AR number 468673

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March 2020

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (**DCF**) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (**AR**) and DCF authorises the AR to distribute this FSG. Their AR number and contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (**AFCA**). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000
Member of Deloitte Touche Tohmatsu Limited
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

9.
Tax Considerations

9. Tax Considerations

9.1 Introduction

The comments below provide a general summary of certain Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account for income tax purposes.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock for income tax purposes, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or Shareholders who are exempt from Australian income tax or subject to concessional tax regimes (for example the Australian Investment Manager Regime). This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to the Taxation of Financial Arrangements rules (i.e. TOFA regime) contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth). These Shareholders should seek their own professional advice based on their particular facts.

Tax laws are complex and subject to ongoing change. The comments below are based on the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *A New Tax System (Goods and Services Tax) Act 1999* (Cth), relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory revenue authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to relevant tax law after the date of this Prospectus. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The summary provided below does not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisers disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders should seek professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

9.2 Dividends on a Share

9.2.1 Individuals and complying superannuation entities

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder for Australian income tax purposes.

Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend and, on the proviso they are a 'qualified person', any franking credit attached to that dividend should also be included in their assessable income for the same income year. Where a franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable on the Shareholder's taxable income, subject to being a 'qualified person' (refer to further comments below). Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

Where a dividend paid by the Company is unfranked, the Shareholders receive no tax offset.

9.2.2 Corporate investors

Where a Shareholder is a company, the Shareholder is required to include both the dividend and associated franking credit in their assessable income subject to being a qualified person. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Shareholders can then pass on the benefit of franking credits to their own shareholders(s) on the payment of dividends.

Excess tax offsets from franking credits arising in any income year cannot give rise to a refund but may be able to be converted into carry forward tax losses.

Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

9.2.3 Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and any associated franking credit in their assessable income in the year of derivation in determining the net income of the trust or partnership.

Subject to being a qualified person, the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

The relevant beneficiary or partner should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

9.2.4 Shares held at risk

To be eligible for the franking credit tax offset, a Shareholder must be a qualified person. Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and related payments rule.

The holding period rule broadly requires that a Shareholder hold the Shares at risk for more than 45 days continuously (measured as the period commencing the day after the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend, i.e. excluding the days of acquisition and disposal). Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares at risk. This holding period rule is subject to certain exceptions, including that it will not apply to a Shareholder who is an individual whose tax offset entitlement (from all franked distributions received in the income year) does not exceed $5,000. Special rules apply to trusts and beneficiaries.

Under the related payments rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. Broadly, a related payment is one where a Shareholder or their associate passes on the benefit of the dividend to another person. The related payments rule requires the shareholder to have held the Shares at risk for a continuous period of 45 days in the period commencing on the 45th day before and ending on the 45th day after the day on which the Shares become ex-dividend. Practically, this should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in assessable income) for a dividend received. Shareholders should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

9.3 Disposal of Shares

The disposal of a Share by an Australian tax resident investor will be a capital gains tax (**CGT**) event. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses incurred may only be offset against capital gains made by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

Generally, a net capital gain arises where a taxpayer’s capital gains for a year exceed their capital losses for that year, plus any unused capital losses from prior years. A net capital loss arises where a taxpayer’s capital losses for a year exceed their capital gains for that year. A net capital gain is included in a Shareholder’s assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder may be entitled to apply a “CGT discount” against the net capital gain made on the disposal of the Share. Where the CGT discount applies, any net capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half. For a complying superannuation entity, any net capital gain may be reduced by one-third.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

9.4 Goods and Services Tax (GST)

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect, relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

9.5 Stamp duty

Investors should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of the listed Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.6 Tax file numbers (TFN)

Shareholders are not required to quote their Tax File Number (**TFN**) or, where relevant, Australian Business Number (**ABN**) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided, Australian income tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. Medicare levy). Australian income tax should not be required to be deducted by the Company in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

10.

Material Agreements and Arrangements

10. Material Agreements and Arrangements

10.1 Underwriting Agreement

The Offerors and the Joint Lead Managers have entered into an underwriting agreement dated 12 March 2021 (**Underwriting Agreement**) pursuant to which the Joint Lead Managers agree to arrange and manage the Offer and to underwrite subscriptions for the sale of the number of Shares under the:

- Broker Firm Offer;
- Priority Offer; and
- Institutional Offer,

for which valid Applications are received, at the Offer Price. The Joint Lead Managers will not underwrite the Employee Gift Offer.

For the purpose of this Section 10.1, **Offer Documents** means the documents issued or published by or on behalf of the Offerors and with their prior approval in respect of the Offer and in a form approved by the Joint Lead Managers including:

- the pathfinder version of this Prospectus and any document which supplements or replaces the pathfinder version of this Prospectus (including any addendum to it);
- this Prospectus, any Application Form and any supplementary or replacement prospectus;
- any cover email, including an appropriate cautionary legend, sent to eligible Institutional Investors in Australia and other agreed foreign jurisdictions with a link to or attaching this version of this Prospectus in connection with the Institutional Offer; and
- any investor presentation, roadshow presentation or marketing presentation and/or ASX announcement used in connection with the Institutional Offer or the Broker Firm Offer (including any addendum to those presentations and any draft of such documents used for roadshow purposes prior to the Prospectus Date).

10.1.1 Fees, costs and expenses

The Offerors have agreed to pay the Joint Lead Managers in their respective proportions (as determined under the Underwriting Agreement) an underwriting fee equal to 1.9% of the funds raised under the Offer and a selling and management fee equal to 0.5% of the funds raised under the Offer (excluding from the Employee Gift Offer), payable by the Offerors, in immediately available funds, on the date of Settlement of the Offer. The Joint Lead Managers have agreed to pay, on behalf of the Offerors, broker firm fees payable by Co-Lead Managers, and any co-managers or Brokers of up to 1.5% of the Offer proceeds received from the allocations of the Co-Lead Managers and co-managers to Retail Investors.

In addition, an incentive fee of up to 0.75% of the funds raised under the Offer (excluding from the Employee Gift Offer) may also be payable to the Joint Lead Managers at the absolute discretion of the Offerors and may be split between the Joint Lead Managers in the absolute discretion of the Offerors, including by allocating the full incentive fee to any of the Joint Lead Managers. In determining the amount and allocation between the Joint Lead Managers of the incentive fee the Offerors may (but is not required to) take into account, amongst other things, (i) the extent to which the advice and actions from a Joint Lead Manager has contributed to the overall success of the Offer; (ii) the valuation achieved on Listing; (iii) adherence to the timetable for Completion; (iv) the quality and depth of the order book and investor feedback provided during the Offer process; (v) the overall quality and relevance of advice provided by a Joint Lead Manager; (vi) the extent to which a Joint Lead Manager has worked cohesively with the other Joint Lead Managers; and (vii) the contributions of key members of a Joint Lead Manager's team committed to the Offer. If the Offerors determine to pay the incentive fee, that incentive fee is payable in immediately available fund within 14 days of Settlement.

The Company must also pay or reimburse the Joint Lead Managers for certain other agreed reasonable costs, charges and expenses incurred by the Joint Lead Managers in relation to or incidental to the Offer. All such amounts are payable on Settlement, unless the Underwriting Agreement is terminated in which case such amounts must be paid as soon as reasonably practicable after termination (and in any case within seven days after termination).

10.1.2 Representations, warranties and undertakings

The Underwriting Agreement contains customary representations, warranties and undertakings provided by the Company and SaleCo (as applicable) to the Joint Lead Managers including, but not limited to, matters such as the conduct of the Offerors, powers and authorisations, information provided by the Offerors, financial information, disclosure in any offer document and other public information and compliance with laws, compliance with the Corporations Act, ASX Listing Rules and other legally binding requirements, anti-money laundering and bribery.

The Offerors also provide additional representations and warranties in connection with matters including, but not limited to, their material licences, closing certificates, the Shares, encumbrances, the accounts, future matters, material contracts, the business of the Lynch Group, litigation, non-disposal of Escrowed Shares, entitlements of third parties, taxation, insurance, authorisations, eligibility for Listing and internal accounting controls.

The Company's undertakings include that it will not, during the period following the date of the Underwriting Agreement until 120 days after the Shares have been issued or transferred under the Offer:

- issue, or agree to issue, or indicate in any way that it may or will issue, or agree to issue, any shares or other securities or certain other arrangements without the prior written consent of the Joint Lead Managers subject to certain limited exceptions, including an issue of shares pursuant to an employee share or option plan as described in the pathfinder version of this Prospectus;
- alter the capital structure of the Company or amend the Constitution, except with the prior written consent of the Joint Lead Managers; and
- dispose of any material part of the Company's business or property, except in the ordinary course of business or as disclosed in this Prospectus.

10.1.3 Indemnity

Subject to certain exceptions, the Offerors on a joint and several basis indemnify the Joint Lead Managers and their respective representatives from and against certain losses and liabilities incurred directly or indirectly as a result of or in connection with the Offer.

10.1.4 Termination events not limited to materiality

A Joint Lead Manager may terminate the Underwriting Agreement at any time after the date of the Underwriting Agreement until 4.00pm on the date of Settlement of the Offer (without any cost or liability by notice to the Company and the other Joint Lead Manager), if any of the following events occur:

- **Default of cornerstone investors:** any of the cornerstone firm commitments are terminated or are amended (without the prior written consent of the Joint Lead Managers), or is or become void or voidable or a cornerstone investor does not perform its obligations in any material respect under its respective cornerstone firm commitment.
- **Disclosures:** in the relevant Joint Lead Manager's reasonable opinion, a statement in any of the Offer Documents or the information released to the public is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- **New circumstances:** there occurs a new circumstance that arises after this Prospectus is lodged that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged;
- **Market fall:** at any time the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the last trading day before the date of the close of the Institutional Offer for three consecutive business days during any time after the date of the Underwriting Agreement;
- **Escrow Deeds:** any of the Escrow Deeds are withdrawn, terminated or rescinded;
- **Sale Shares:** a SaleCo Deed Poll is withdrawn, terminated or rescinded;
- **Fraud:** the Offerors or any of their respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity, whether or not in connection with the Offer;
- **Listing and quotation:** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:

  - the Company's admission to the Official List of the ASX on or before the Listing approval date as set out in the Underwriting Agreement; or
  - the quotation of all of the Shares, including the New Shares, on the ASX or for the Shares, including the New Shares, to be traded through CHESS on or before the quotation date as set out in the Underwriting Agreement;

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions or conditions reasonably satisfactory to the Joint Lead Managers) or withheld;

- **Notifications:** any of the following notifications are made:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
  - any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in an Offer Document withdraws that consent;
  - any person (other than the Joint Lead Managers) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- **Certificate not provided:** the Offerors do not provide a closing certificate as and when required by the Underwriting Agreement;
- **Material contracts:** any of the obligations of the relevant parties under any of the material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the terminating Joint Lead Manager) or all or any part of any such contracts:
  - is terminated;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- **Withdrawal:** the Offerors withdraw an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- **Insolvency events:** any member of the Lynch Group becomes insolvent or there is an act or omission which is likely to result in a member of the Lynch Group becoming insolvent;
- **Timetable:** an event specified in the timetable up to and including the settlement date is delayed by more than 2 business days;
- **Unable to issue or transfer shares:** the Company is prevented from allotting and issuing (as applicable) New Shares, or SaleCo is prevented from transferring the Existing Shares, within the time required by the timetable for the Offer, the Offer Documents, the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- **Change to Company:** the Company:
  - alters the issued capital of the Company or another member of the Lynch Group; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Company or another member of the Lynch Group,

  without the prior written consent of the Joint Lead Managers;

- **Regulatory approvals:** a regulatory body withdraws or revokes any regulatory approvals required for the Offerors to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;

- **Force majeure:** there is an event or occurrence or non-occurence or development of an existing event, which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- **Change in Management:** a change in the Executive Managers occurs, or there is a change in the board of directors of the Company or SaleCo;
- **Vacancy in office:** The Chair of the Board or an Executive Managers vacates his or her office;
- **Prosecution:** any of the following occur:
  - a director or proposed director named in this Prospectus of the Offerors is charged with an indictable offence;
  - any governmental agency commences any public action against the Offerors or any of their respective directors in their capacity as a director of the Company or SaleCo (as applicable), or announces that it intends to take action; or
  - any director or proposed director named in this Prospectus of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
- **Constitution:** the Company varies any term of its constitution (other than a variation that was approved by the Joint Lead Managers prior to the date of the Underwriting Agreement).

10.1.5 Termination events limited to materiality

A Joint Lead Manager may terminate the Underwriting Agreement at any time after the date of the Underwriting Agreement until 4.00pm Sydney Time on the date of Settlement (without any cost or liability by notice to the Offerors and the other Joint Lead Managers), if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the success, settlement, outcome or marketing of the Offer, or on the ability of the Joint Lead Manager to market, promote or settle the Offer, or on the likely price at which the Shares will trade on the ASX or the willingness of investors to subscribe for or acquire Shares, or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or give rise to, or result in, a contravention by the Joint Lead Manager or its affiliates or the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- **Supplementary prospectus:** the Company:
  - issues or in the opinion of the terminating Joint Lead Manager, is required under section 719 of the Corporations Act to lodge a Supplementary Prospectus; or
  - lodges a supplementary prospectus with ASIC in a form and substance that has not been approved by the Joint Lead Managers;
- **Forecast Financial Information:** There are not, or there ceases to be, reasonable grounds, for any statement or estimate in any Offer Document which relates to a future matter; or any statement or estimate in the Offer Documents which relates to a future matter is unlikely to be met in the projected timeframe (including in each case financial forecasts);
- **Material contracts:** any of the obligations of the relevant parties under any of the contracts that are material to the business of the Lynch Group or any of the material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the terminating Joint Lead Manager) or all or any part of any such contracts:
  - is amended or varied without the prior written consent of the Joint Lead Managers; or
  - is breached;
- **Regulatory approvals:** a regulatory body amends any regulatory approvals required for the Offerors to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;

- **Legal proceedings:** the commencement of legal proceedings against the Offerors or any other member of the Lynch Group or against any director of the Company, SaleCo or any other member of the Lynch Group in that capacity or any regulatory body commences any enquiry or public action against a member of the Lynch Group (other than an enquiry or public action which relates to the Offer or Offer Documents);
- **Disclosures in due diligence report and any other information:** the due diligence report or verification material or any other information supplied by or on behalf of the Offerors to the Joint Lead Managers in relation to the Lynch Group or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- **Adverse change:** any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Lynch Group (insofar as the position in relation to an entity in the Lynch Group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Lynch Group from those respectively disclosed in any Offer Document or the public information;
- **Change of law:** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, Hong Kong, the People's Republic of China or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- **Breach of laws:** there is a contravention by the Offerors or any other member of the Lynch Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth) or any other applicable law or regulation;
- **Compliance with law:** any of the Offer Document or any aspect of the Offer does not comply with the Corporations Act or any other applicable law or regulation;
- **Representations and warranties:** a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Offerors (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- **Breach:** the Company or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- **Escrow Deeds:** any of the Escrow Deeds are varied, altered, amended, breached or failed to be complied with;
- **Sale Shares:** a SaleCo Deed Poll is varied, altered or amended, breached or failed to be complied with;
- **Information supplied:** any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a member of the Lynch Group to the Joint Lead Managers in respect of the Offer or the Lynch Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including by omission);
- **Hostilities:** hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the People's Republic of China, Singapore, or any member state of the European Union, or a major terrorist act is perpetrated on anywhere in the world or against any diplomatic, military, commercial or political establishment of any of those countries or anywhere in the world;
- **Certificate incorrect:** a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect; or
- **Commercial Impracticality:** there is an event, occurrence or non-occurrence, or development of an existing event, which makes it commercially impracticable for the Joint Lead Managers to satisfy a material obligation under the Underwriting Agreement, or to market, promote or settle the Shares, or that causes the Joint Lead Managers to delay satisfying a material obligation under the Underwriting Agreement, including:
  - any acts, statute, order, rule, regulation, directive or requirement of any governmental authority, orders of any courts, lockdowns, lock-outs, forced closures, restrictions on mobility, or interruptions or restrictions in transportation which has this impact; or
  - any acts of God or other natural forces, civil unrest or other civil disturbance, currency restriction, embargo, action or inaction by a governmental authority.

- **Disruption in financial markets:** any of the following occur:
  - a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom, New Zealand, Hong Kong, the People's Republic of China, Singapore, a member state of the European Union is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, Hong Kong, the United States, New Zealand, the People's Republic of China, Singapore a member state of the European Union or the United Kingdom, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries;
  - trading in all securities quoted or listed on the ASX, the New York Stock Exchange, the London Stock Exchange or the Hong Kong Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading; or
  - a Level 3 "market-wide circuit breaker" is implemented by the New York Stock Exchange.

10.2 Voluntary escrow arrangements

The Escrowed Shareholders have agreed to enter into voluntary escrow arrangements pursuant to an escrow deed with the Company (**Escrow Deeds**) which prevents them from disposing of their respective Escrowed Shares for the applicable escrow period.

10.2.1 Escrowed Shares

The number of Escrowed Shares by each Escrowed Shareholder are as follows:

Shareholder	Number of Escrowed Shares on Completion of the Offer	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)
Next Capital	21,236,320	17.4%
Founder Shareholders	18,200,000	14.9%
Axiom	7,000,000	5.7%
VDB Shareholders	15,862,068	13.0%
Current Management Shareholders	2,409,308	2.0%

10.2.2 Escrow Period

Subject to Section 10.2.4 the escrow period applicable to each Escrowed Shareholders' Escrowed Shares (**Escrow Period**) is for the period commencing from Listing until 4.15 pm on the date that the Lynch Group's audited results for the half-year ended 31 December 2021 are released to the ASX.

10.2.3 Restrictions under the Escrow Deed

Under the Escrow Deed, the restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any of those things.

However, Escrowed Shareholders whose Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent the disposal is:

- required by an order of a court of competent jurisdiction;
- a transfer by the personal representative of the Escrowed Shares to whom the Escrowed Shares have been bequeathed; or
- to the Escrowed Shareholders' spouse or a company or entity under the full and effective control of the Escrowed Shareholder, where the transferee also enters into an escrow arrangement with the Company on substantially the same terms.

10.2.4 Early release

There are limited circumstances in which the Escrowed Shares may be released before the end of the Escrow Period, namely:

- to enable the Escrowed Shares to accept an offer under a takeover bid in relation to its Escrowed Shares, if holders of at least half of all Shares, including the Escrowed Shares of the Escrowed Shareholders, have accepted the takeover bid;
- to enable the Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act. However, the escrow obligations will continue to apply to the Escrowed Shares if the merger does not take effect; or
- to enable the Escrowed Shareholders to participate in an equal access buy-back or equal return of capital or other similar pro rata reorganisation. However, the escrow obligations will continue to apply to any Escrowed Shares that are not bought back or cancelled as part of the reorganisation.

10.3 Constitution

The Constitution sets out the terms of the Shares which bind the Company and the holders of the Shares.

A general summary of the some of the important features and rights attaching to the Shares and other key provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the terms of the Constitution, the Corporations Act and the ASX Listing Rules.

10.3.1 Voting at a General Meeting

Subject to any rights or restrictions for the time being attached to any class of Shares, whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney or whom the Directors have determined can notify the Company of their vote in accordance with the Constitution has one vote on a show of hands and, on a poll, one vote for each Share held (or a fraction of a vote for each partly paid share).

10.3.2 Meeting of Shareholders

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act or ASX Listing Rules.

10.3.3 Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

10.3.4 Issue of further Shares

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules and any rights and restrictions attached to a class of shares, the Board may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that, the Board decides.

10.3.5 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the written consent of the holders of at least 75% of the issued shares of the affected class; or
- by a special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

10.3.6 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, ASX Listing Rules or ASX Settlement Rules.

The Board may refuse to register a transfer of Shares or ask ASX Settlement to apply a holding lock in a number of situations including:

- if the registration of the transfer would create a new holding of an unmarketable parcel;
- where the transfer is not in registrable form; and
- if the Corporations Act, the ASX Listing Rules or the ASX Settlement Rules forbid registration or permit the refusal of registration,

but only if that refusal would not contravene the ASX Listing Rules or the ASX Settlement Rules.

10.3.7 Preference shares

The Company may issue preference shares, including preference shares which are, or which at the option of the Company or holder may be, liable to be redeemed or converted into Ordinary Shares. The rights attaching to the preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

10.3.8 Unmarketable parcels

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares, unless such Shareholder gives written notice to the Company that it wishes to retain its Shares.

10.3.9 Share buy-backs

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules, the Company may buy back Shares in itself.

10.3.10 Dividend reinvestment plan

The Constitution contains a provision allowing the Board to implement a dividend reinvestment plan.

10.3.11 Appointment and removal of Directors

Under the Constitution, the minimum number of Directors that may comprise the Board is three. Directors are elected by ordinary resolution of the Company.

Retirement will occur on a rotational basis so that no Director (excluding the Executive Director who holds the role of Group Chief Executive Officer) holds office without re-election:

- beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected; or
- for no more than three years,

whichever is longer.

10.3.12 Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the Company's power, provided that such powers are not required by law or by the Constitution to be exercised by the Company in a general meeting.

10.3.13 Voting of Directors

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present and entitled to vote on the resolution. In the case of an equality of votes on a resolution, the chair of the meeting will have a second or casting vote, unless there are only two Directors present who are able to vote on the question at issue.

10.3.14 Remuneration of Directors

The Constitution provides that Directors are entitled to remuneration for services rendered as directors of the Company, which must not exceed in aggregate the maximum amount determined by the Shareholders at a general meeting. Until a different amount is determined, the maximum amount will be $750,000 per annum.

10.3.15 Winding up

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and any preferential rights or restrictions attaching to any class or classes of shares in the Company, if the Company is wound up, any surplus assets of the Company remaining after payments of debts must be divided amongst Shareholders in proportion to the amount paid up on shares held by them.

10.3.16 Indemnities

The Company, to the extent permitted by the Corporations Act, indemnifies each Director against any liability incurred by that person as an officer of the Company or as an officer of another company at the request of the Company, unless the liability arises out of conduct involving a lack of good faith.

The Company, subject to the Corporations Act and the Constitution, may pay premiums on a contract insuring a Director against any liability incurred by that person as an officer of the Company or as an officer of another company at the request of the Company.

10.4 VDB Acquisition Agreement

In 2019, the Company's Hong Kong subsidiary, Lynch HK acquired a 20% interest in VDB Asia. Lynch HK has entered into the VDB Acquisition Agreement with Van den Berg Roses Asia B.V and Bridge International Holding Limited to acquire the remaining 80% interest in VDB Asia. The key terms of the VDB Acquisition Agreement are as follows:

- Lynch HK will acquire the remaining 80% interest in VDB Asia for consideration of $90.5 million (**VDB Purchase Price**) payable in 30% cash and 70% Shares. Van den Berg Roses Asia B.V and Bridge International Holding Limited will direct the payment of the VDB Purchase Price to the VDB Shareholders;
- the VDB Acquisition Agreement will be conditional only on the Company being admitted to the Official List of the ASX and the ASX agreeing to quote the Shares on the ASX;
- the Lynch Group will receive the benefit of a comprehensive set of warranties on an indemnity basis from Van den Berg Roses Asia B.V and Bridge International Holding Limited. Additionally, the Lynch Group will receive the benefit of a number of specific indemnities for known risks identified as part of the Lynch Group's due diligence into the VDB Group. These include indemnities to address some of the key risks outlined in Section 5, including in respect of historical labour practices and land rights of the VDB Group. The warranties and indemnities given by Van den Berg Roses Asia B.V and Bridge International Holding Limited are subject to a monetary cap of 30% of the VDB Purchase Price (except for claims made in respect of the title and capacity warranties, which is capped at 100% of the VDB Purchase Price). Further, a time limit of one year is imposed for the making warranty and indemnity claims under the VDB Acquisition Agreement, except for claims made in respect of the title and capacity warranties (which has no time limit imposed) and tax claims (which is limited to the applicable statutory limitation period); and
- the Lynch Group will receive the benefit of non-compete undertakings from key management personnel of the VDB Group, being Nicolaas Theodorus Pannekeet, Arie van den Berg and Job van Schelven. The nature of these non-compete undertakings will be to prohibit those individuals and their related entities from competing against, and soliciting personnel and business from, the Lynch Group.

Following completion of the VDB Acquisition, which is expected to occur shortly prior to Completion, the VDB Shareholders will become Existing Shareholders of the Company. Details about their shareholding in the Company upon Listing are set out in Section 7.1.4.

11.

Additional Information

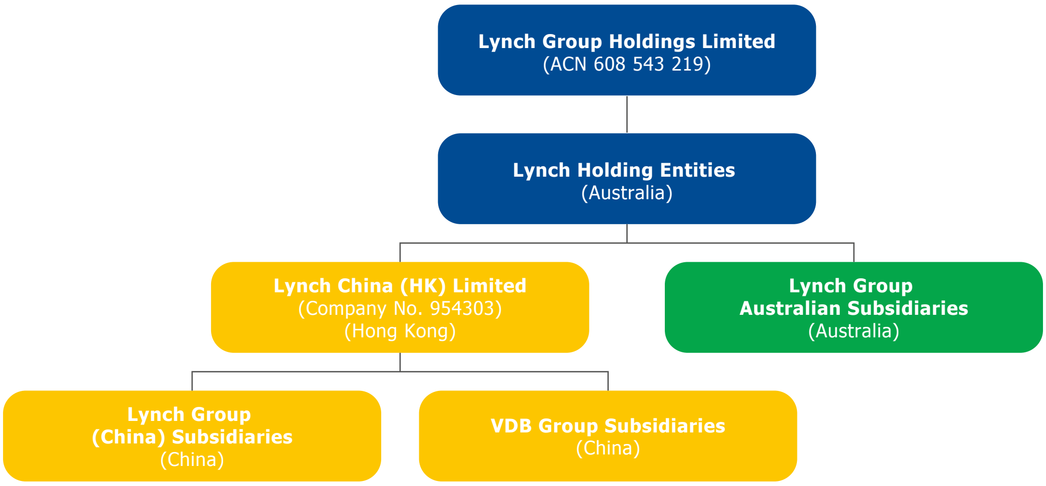
11. Additional Information

11.1 Registration and details of the Lynch Group

The Company was registered in Victoria, Australia on 1 October 2015 as a proprietary company limited by shares. On 10 March 2021, it was converted to a public company limited by shares. As at the Prospectus Date, the Company has 70.7 million Shares on issue (each fully paid) currently held by the Existing Shareholders. On completion of the VDB Acquisition Agreement, 15.9 million Shares will be issued to the VDB Shareholders, as part consideration of the VDB Purchase Price. As a result, the Company will have 86.6 million Shares on issue immediately prior to Completion.

11.2 Corporate structure

The following diagram shows the corporate structure of the Lynch Group following Completion of the Offer. The subsidiary companies of the Lynch Group are further detailed in Appendix 1. On Completion of the Offer, all Subsidiaries of the Company will be wholly owned.



11.3 Details of SaleCo

SaleCo was incorporated in New South Wales, Australia on 15 February 2021 as a public company limited by shares. Peter Clare is the sole shareholder of SaleCo. The Directors of SaleCo are Peter Clare, Patrick Elliott and Hugh Toll.

SaleCo has been established to facilitate the sale of some of the Existing Shares held by the Existing Shareholders.

As at the Prospectus Date, those Existing Shareholders who are selling their Existing Shares have executed deed polls (**SaleCo Deed Polls**) in favour of SaleCo under which they irrevocably offer to sell to SaleCo those Existing Shares free from encumbrances and third-party rights, conditional on Listing and to deliver the relevant Existing Shares on Completion of the Offer to, or as directed by, SaleCo. The total number of Shares which the Existing Shareholders have offered to sell is 20.2 million Ordinary Shares and 0.6 million Management Shares (which are equivalent to 1.6 million Ordinary Shares). Management Shares were issued to Management Shareholders as part of the Company's legacy incentive arrangements. The rights attaching to Management Shares will be varied such that they are the same as Ordinary Shares on Completion.

The Shares that SaleCo will agree to acquire from the Existing Shareholders upon its acceptance of the Sale Deed Polls will be transferred to Successful Applicants under the Offer at the Offer Price, as directed by SaleCo. The aggregate price payable by SaleCo to Existing Shareholders for these Shares is the Offer Price multiplied by the number of Shares that SaleCo acquires from the Existing Shareholders.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement, the Sale Deed Polls and the deed of indemnity described below.

Pursuant to a deed of indemnity between the Company and SaleCo, the Company has indemnified SaleCo, its officers and sole shareholder for any loss or liability that SaleCo may incur as a consequence of the Offer.

11.4 ASX Waiver and Confirmations

The ASX has given in-principle advice to the Company that it would likely provide the following ASX Listing Rule waivers and confirmations:

- confirmation that the Company has a structure and operations acceptable to ASX for admission to the official list for the purposes of ASX Listing Rule 1.1 (Condition 1);
- confirmation that the Company may undertake deferred and conditional settlement trading of Shares, subject to certain conditions to be approved by the ASX;
- confirmation that the mandatory escrow restrictions in clauses 1, 2, 3, 4, 6, 7, 8 and 9 of Appendix 9B of the ASX Listing Rules do not apply to the Company as it has a track record of revenue acceptable to ASX; and
- on the basis that after the Company applies the proceeds of the Offer to the purposes described in Section 7.1.3, less than half of the Company's total tangible assets will be cash or in a form readily convertible to cash, it will not be required to release quarterly reports in the form on an Appendix 4C or provide the information required by ASX Listing Rule 4.10.19 in its first two annual reports post its admission to the Official List. This waiver will likely be given on the condition that the Company makes an announcement confirming it has expended the funds raised as indicated in this Prospectus prior to the date its first quarterly report would have been required under ASX Listing Rule 4.7B.

The Company has also applied to the ASX for a waiver from ASX Listing Rule 10.14 in connection with the LTI Scheme described in Section 6.4.4.

11.5 Consents to be named and inclusion of statement and disclaimers of responsibility

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below. Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Citigroup Global Markets Australia Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- Jarden Australia Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- J.P. Morgan Securities Australia Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- Stanton Road Partners Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Financial Adviser in relation to the Offer in the form and context in which it is named;
- Bell Potter has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Co-Lead Manager in relation to the Offer in the form and context in which it is named;
- Ord Minnett has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Co-Lead Manager in relation to the Offer in the form and context in which it is named;

- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser and taxation adviser in relation to the Offer in the form and context in which it is named;
- Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which it is included (and all other references to the Investigating Accountant's Report and those statements) in this Prospectus;
- Deloitte Touche Tohmatsu has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor in the form and context in which it is named; and
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Registry.

In addition, as permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this Prospectus may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

No entity or person referred to in this Section 11.5 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

11.6 Selling restrictions

11.6.1 International Offer Restrictions

This Prospectus does not constitute an offer of new Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

11.6.2 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

11.6.3 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the **FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

11.6.4 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

11.6.5 United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

11.6.6 United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Shares will only be offered and sold in the United States to dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.

11.7 Governing Law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant and bidder under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

11.8 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and the issue of this Prospectus and has not withdrawn that consent.

Appendix 1

Corporate Structure

Appendix 1 Corporate Structure

The following table sets out each Subsidiary of the Company and, in each case, its place of incorporation and the nature of its business. Unless otherwise stated, each Subsidiary is wholly owned by a Lynch Group Member.

Entity Name	Place of Registration	Nature of Subsidiary's Business
Lynch Group BidCo Pty Ltd (ABN 40 608 543 620)	Victoria	Bank Borrowing entity
Lynch Group Australia Holdings Pty Limited (ABN 99 149 189 757)	Victoria	Dormant holding entity
Lynch Fresh Holdings Pty Limited (ABN 49 110 281 895)	Victoria	Dormant holding entity
Lynch Fresh Pty Limited (ABN 40 109 712 825)	Victoria	Payroll entity
Lynch Group Australia Pty Limited (ABN 32 001 695 665)	New South Wales	Trading entity
Lynch Flowers Victoria Pty Ltd (ABN 82 088 674 597)	New South Wales	Dormant entity
Leo Lynch & Sons (QLD) Pty. Limited (ABN 42 010 647 819)	Queensland	Dormant entity
Lynch Manufacturing Group Pty Ltd (ABN 84 099 433 388)	New South Wales	Payroll entity
Lynch Manufacturing NSW Pty Ltd (ABN 64 099 436 549)	New South Wales	Payroll entity
Lynch Manufacturing Victoria Pty Ltd (ABN 73 099 436 147)	New South Wales	Payroll entity
Lynch Manufacturing QLD Pty Ltd (ABN 71 099 436 138)	New South Wales	Dormant entity
Lynch Manufacturing W.A. Pty Ltd (ABN 77 099 436 165)	New South Wales	Payroll entity
Lynch Administration Pty Ltd (ABN 75 080 563 944)	New South Wales	Payroll entity
Lynch China Pty Limited (ABN 69 113 014 029)	New South Wales	Dormant entity
Lynch Admin Services Pty Ltd (ABN 57 109 689 929)	Victoria	Payroll entity
Lynch Flowers (W.A.) Pty Ltd (ABN 17 009 236 202)	Western Australia	Dormant entity
Exauflor Pty Ltd (ACN 116 435 860)	Victoria	Dormant entity
The Lynch Group of Companies Pty Limited (ACN 113 803 562)	New South Wales	Dormant entity
The Trustee for Gladlands Flowers Unit Trust (ABN 43 296 679 695)	N/A	Trustee for unit trust

Appendix 1 Corporate Structure

Entity Name	Place of Registration	Nature of Subsidiary’s Business
Gladlands Flowers Pty Ltd (ABN 54 605 840 766)	Queensland	Trading entity
Pine Valley (QLD) Pty. Ltd. (ABN 51 010 875 475)	Queensland	Trading entity
Australiawide Flowers Pty Ltd (ABN 63 002 942 314)	New South Wales	Trading entity
Lynch China (HK) Limited (0954303)	Hong Kong	Holding entity of the Lynch Group’s China operations
Yunnan Lynch Horticultural Company Limited (云南林奇园艺有限公司) (91530100599310426L)	China	Farm
Lynch (Shanghai) International Trading Company Ltd. (林旗（上海）国际贸易有限公司) (91310115332716865M)	China	Trading entity
Lynch Trading (Yunnan) Company Ltd. (林奇贸易（云南）有限公司) (915300007998591653)	China	Trading entity
Yunnan Lynch Agriculture Company Limited (云南强尼农业有限公司) (91530100MA6KKN7H1E)	China	Farm
Van den Berg Asia Holding Limited (1391386)	Hong Kong	Holding Entity – Associate
Kunming Fangdebo’erge Rose Supreme Floral Co., Ltd. (昆明方德波尔格玫瑰花卉有限公司) (91530100799874680J)	China	Farm – Associate
Van Den Berg Horticulture (Yunnan) Co., Ltd. (云南方德波尔格园艺有限公司) (91532300329557306H)	China	Farm – Associate
Kunming Van Den Berg Trading (Dounan) Co., Ltd. (昆明方德波尔格进出口贸易有限公司) (91530100MA6N0JF49Y)	China	Trading entity – Associate
Gefa Flowers (Suzhou) Co., Ltd (格发花卉（苏州）有限公司) (91320583MA22HT6H1U)	China	Trading entity – Associate

Appendix 2

Significant Accounting Policies

Appendix 2 Significant Accounting Policies

The principal accounting policies adopted in the presentation of the Financial Information are set out below.
The preparation of the Financial Information requires estimates, judgments, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and any future period affected.

The Significant Accounting Policies below apply estimates, judgments and assumptions which could materially affect the financial results or financial position reported in future periods:

1.1 Basis of consolidation

The Lynch Group incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as "**the Group**" in this Appendix 2). Control is achieved when the Company:

- has power over the investee;
- 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 period 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.

1.2 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred. The Group does not have any qualifying assets that meet the requirements to capitalise interest within their carrying value.

1.3 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 arrangement, 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.

1.4 Cash and cash equivalents

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.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.5 Employee benefits

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.

1.6 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.

1.7 Financial instruments

1.7.1 Trade receivables

Trade receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method.

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 into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

1.7.2 Derivative financial instruments

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk. Effective 29 June 2020, the Group designated 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 of its hedging relationships involving forward contracts.

1.7.3 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 of 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.

1.8 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 Lynch Group, 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 period 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, 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 period. 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 period in which the foreign operation is disposed.

1.9 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. 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.

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.

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

1.10 Impairment of other tangible and intangible assets

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 in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.11 Income tax

1.11.1 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 period. 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).

1.11.2 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 is able to 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 Company/Group intends to settle its current tax assets and liabilities on a net basis.

1.11.3 Current and deferred tax for the period

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 taken into account in the determination of goodwill.

1.11.4 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.

1.12 Intangible assets

1.12.1 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.

1.12.2 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.

The estimated useful lives and amortisation method of intangible assets are reviewed at the end of each reporting period, with any changes being recognised as a change in accounting estimate.

1.13 Inventories

Raw materials are stated at the lower of cost and net realisable value. Cost are 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. 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.

1.14 Biological assets

The biological assets of the Group are measured initially and on an ongoing basis at their fair value, less estimated sale costs. The fair value adjustment during the period is recognised within 'Other 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.

1.15 Property, plant and equipment

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value.

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 annual reporting period, with the effect of any changes recognised on a prospective basis.

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 (refer Note 1.14 above).

1.16 Leases

1.16.1 Right-of-use assets

Right-of-use assets 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 net of any lease incentives received.

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.

1.16.2 Lease liabilities

Lease liabilities are recognised at the commencement date of a lease. Lease liabilities is 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.

1.17 Provisions

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.

1.18 Share-based payments

Share-based payments made to employees that grant rights over shares of the parent entity, the Company, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by the Company. 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 binomial 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.

1.19 Revenue

The Group recognises revenue predominantly from the sale 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.

All revenue is stated net of the amount of goods and services tax (GST).

1.20 Interest income

Interest income is recognised using the effective interest method.

1.21 Goods and services tax

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, 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.

1.22 Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

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.

Appendix 3

Glossary

Appendix 3 Glossary

Term	Definition
1H FY20	Has the meaning given to that term in Section 4.1
1H FY21	Has the meaning given to that term in Section 4.1
1H FY22F	Has the meaning given to that term in Section 4.1
2H FY21F	The half-year ending 27 June 2021
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AASB 16	Has the meaning given to that term in Section 4.2.2
Applicant	A person who submits an Application
Application	An application to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	The amount accompanying an Application Form submitted by an Applicant
ASIC	The Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange that it operates, as the context requires
ASX Listing Rules	The listing rules of the ASX
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition)
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532)
ASX Settlement Rules	The operating rules of ASX Settlement and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited (ACN 001 314 503)
AUD	Australian Dollar
Axiom	A4J Ltd
Bell Potter	Bell Potter Securities Limited (ACN 006 390 772)
Board	The board of Directors
Board Charter	Has the meaning given to that term in Section 6.5.3
Broker	A broker selected by the Joint Lead Managers and the Company, including an ASX participating organisation, to act as a broker to the Offer
Broker Firm Offer	The offer of Shares under this Prospectus to investors with a registered address in Australia, and who are not in the United States, who have received a firm allocation from their Broker, as detailed in Section 7.4
Business	The business conducted by the Lynch Group
CAGR	Compound annual growth rate

Appendix 3 Glossary

Term	Definition
CBA	Commonwealth Bank of Australia
CEO	Group Chief Executive Officer, who, as at Completion, will be Hugh Toll
CFO	Group Chief Financial Officer, who, as at Completion, will be Steve Woods
CGT	Capital gains tax
CHESS	Clearing House Electronic Sub-register System operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
Chittering Valley	Chittering Valley (WA) Pty Ltd (ACN 167 890 299)
CNY or RMB	Chinese Yuan, the lawful currency of the PRC
Co-Lead Managers	Bell Potter and Ord Minnett
Company	Lynch Group Holdings Limited (ACN 608 543 219)
Completion	The completion of the Offer, being the date on which the Shares are transferred to Successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth)
COVID-19	Has the meaning given to that term in Section 5.3.10
Current Management Shareholders	Current senior management employees of the Lynch Group who will hold Escrowed Shares
CY20	The full calendar year of 2020, being 28 December 2020 to 26 December 2021
CY21F	Has the meaning given to that term in Section 4.1
Deed	Has the meaning given to that term in Section 6.4.2
Directors	The directors of the Company
Directors' Remuneration	Has the meaning given to that term in Section 6.4.1
Disposal Period	Has the meaning given to that term in Section 7.6.4
EBITDA	Has the meaning given to that term in Section 4.2.6
Eligible Employees	Persons with a registered address in Australia who: • commenced their employment with the Lynch Group prior to 31 March 2019 and has continuously been employed by the Lynch Group since that time; and • is an employee of the Lynch Group as at the Prospectus Date
Employee Gift Offer	The offer made under the Prospectus under which Eligible Employees have received an offer from the Company and may acquire $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price), as detailed in Section 7.6

Term	Definition
Employee Shareholder	Has the meaning given to that term in Section 7.6.4
Enterprise Value	The market capitalisation of the Company plus adjusted pro forma net debt at 27 December 2020
Escrow Deeds	Has the meaning given to that term in Section 10.2
Escrow Period	Has the meaning given to that term in Section 10.2.2
Escrowed Shareholders	Holders of Escrowed Shares
Escrowed Shares	Shares which are subject to the voluntary escrow arrangements, as described in Section 10.2
Executive Managers	Has the meaning given to that term in Section 6.4.3
Executive Remuneration	Has the meaning given to that term in Section 6.4.3
Existing Shareholders	Shareholders who hold Existing Shares immediately prior to Completion of the Offer (prior to the transfer of Existing Shares to SaleCo)
Existing Shares	Ordinary Shares or Management Shares held by all Existing Shareholders immediately prior to Completion (prior to the transfer of Shares to SaleCo)
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the Prospectus Date
Financial Adviser	Stanton Road Partners Pty Ltd (ACN 631 839 417)
Financial Information	Has the meaning given to that term in Section 4.1
Florina	Florina Pty Ltd (in liquidation) (ACN 010 289 362)
Florina Asset Claim	Has the meaning given to that term in Section 5.2.6
Florina Land Claim	Has the meaning given to that term in Section 5.2.6
FMC Act	Has the meaning given to that term in Section 11.6.3
FMCG	Fast moving consumer goods
Forecast Financial Information	Has the meaning given to that term in Section 4.1
Founder Shareholders	Izzac Pty Limited (ACN 110 032 472) as trustee of the Cazzie Trust and Airfek Pty Ltd (ACN 110 031 546) as trustee of the Kefria Trust, being the Existing Shareholders which are related entities of the Lynch Family and John Khalil, respectively
FPO	Has the meaning given to that term in Section 11.6.5

Term	Definition
FSMA	Has the meaning given to that term in Section 11.6.5
FY18	The financial year of 2018, being 3 July 2017 to 1 July 2018
FY19	Has the meaning given to that term in Section 4.1
FY20	Has the meaning given to that term in Section 4.1
FY21F	Has the meaning given to that term in Section 4.1
GDP	Gross domestic product
GST	Has the meaning given to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cth)
HIN	Holder identification number for CHESS
Historical Financial Information	Has the meaning given to that term in Section 4.1
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Institutional Investors	An investor who has been invited to participate in the Institutional Offer and is: • A person in Australia who is a "professional investor" or "sophisticated investor" within the meaning of sections 708(8) or 708(11) of the Corporations Act; or • An institutional investor in certain other jurisdictions, as agreed between the Company and the Joint Lead Managers to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company is willing in its discretion to comply), and provided that in each case such investors are not in the United States
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares as described in Section 7.3
Investigating Accountant	Deloitte Corporate Finance Pty Limited
Investigating Accountant's Report	The report by the Investigating Accountant as set out in Section 8
IPO Bonus Payment	Has the meaning given to that term in Section 6.4.3
JobKeeper Payment	A payment made by the Australian Commonwealth Government to eligible businesses and not-for-profits affected by COVID-19 to support them in retaining employees
Joint Lead Managers	Citigroup Global Markets Australia Pty Limited, Jarden Australia Pty Ltd and J.P. Morgan Securities Australia Limited
Kunming Facility	Has the meaning given to it in Section 1.1

Term	Definition
Listing	Admission of the Company to the Official List of the ASX
LTI Scheme	Has the meaning given to that term in Section 6.4.4
Lynch Family	Has the meaning given to it in Section 1.1
Lynch Farms	The farms within the Lynch Group's farming portfolio located in Australia and China which are leased from third parties but are managed by the Lynch Group
Lynch Group	The Company and its Subsidiaries, and **Lynch Group Member** means any one of them. Unless otherwise specified, references to the Lynch Group includes the VDB Group on a post-VDB Acquisition basis
Lynch Group Offer Information Line	Inside Australia: 1800 129 386 Outside Australia: +61 1800 129 386
Lynch HK	Lynch China (HK) Limited (Hong Kong company number 0954303)
Management	Certain current senior management employees of the Lynch Group, including the Senior Managers
Management Share	A management share in the Company issued to various Management pursuant to the Lynch Group's legacy incentive plan
Management Shareholders	Current and former senior management employees of the Lynch Group who hold Management Shares or Ordinary Shares
MAS	Has the meaning given to that term in Section 11.6.4
New Shares	The new Shares to be issued by the Company under the Offer
Next Capital	Next Capital III GP Pty Limited as trustee of the Next Capital III LP and Next Capital Services IIID Pty Limited as trustee of the Next Capital Trust III D
Non-Executive Directors	A member of the Board who does not form part of Senior Management
Non-IFRS financial measures	Has the meaning given to that term in Section 4.1
NPATA	Has the meaning given to that term in Section 4.2.6
Offer	The Institutional Offer, Broker Firm Offer, Priority Offer and Employee Gift Offer
Offer Closing Date	The date on which the Offer is expected to close, being 5.00pm (Sydney Time) on Wednesday, 31 March 2021 respect of the Broker Firm Offer, the Priority Offer and the Employee Gift Offer. This date may be varied without prior notice
Offer Documents	Has the meaning given to that term in Section 10.1
Offer Opening Date	The date on which the Offer is expected to open, being 9.00am (Sydney Time) on Tuesday, 23 March 2021 in respect of the Broker Firm Offer, the Priority Offer and the Employee Gift Offer. This date may be varied without prior notice
Offer Period	The period from 9.00am (Sydney Time) on Tuesday, 23 March 2021 to 5.00pm (Sydney Time) on Wednesday, 31 March 2021

Appendix 3 Glossary

Term	Definition
Offer Price	$3.60 per Share
Offerors	The Company and SaleCo
Official List	The official list of entities that the ASX has admitted to and not removed from Listing
Options	The options to acquire Shares granted under the LTI Scheme as described in Section 6.4.4
Ord Minnett	Ord Minnett Limited (ACN 002 733 048)
Ordinary Share	An ordinary share in the capital of the Company
PRC or **China**	The People's Republic of China
Priority Offer	The offer of Shares under this Prospectus to investors who have received a personalised invitation to purchase Shares in the Offer, as described in Section 7.5
Pro Forma Forecast Cash Flows	Has the meaning given to that term in Section 4.1
Pro Forma Forecast Financial Information	Has the meaning given to that term in Section 4.1
Pro Forma Forecast Income Statements	Has the meaning given to that term in Section 4.1
Pro Forma Historical Cash Flows	Has the meaning given to that term in Section 4.1
Pro Forma Historical Financial Information	Has the meaning given to that term in Section 4.1
Pro Forma Historical Income Statements	Has the meaning given to that term in Section 4.1
Pro Forma Historical Statement of Financial Position	Has the meaning given to that term in Section 4.1
Prospectus	This prospectus for the purpose of Chapter 6D of the Corporations Act (including the electronic form of this prospectus), and any supplementary or replacement prospectus in relation to this prospectus
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 12 March 2021
Registry	Link Market Services Limited (ABN 54 083 214 537)
Related Body Corporate	Has the meaning given to that term in under section 50 of the Corporations Act

Term	Definition
Retail Offer	The retail component of the Offer, as described in Section 7.1.1
ROIC	Return on invested growth capital
SAFE	Has the meaning given to that term in Section 5.3.8
SaleCo	Lynch SaleCo Limited (ACN 647 951 273)
SaleCo Deed Polls	Has the meaning given to that term in Section 11.3
Senior Management or **Senior Managers**	Includes all members of management profiled in Section 6.3
Settlement	Settlement in respect of the Shares the subject of the Offer
SFA	Has the meaning given to that term in Section 11.6.4
SFO	Has the meaning given to that term in Section 11.6.2
Shanghai Facility	Has the meaning given to it in Section 1.1
Securities Trading Policy	The securities trading policy adopted by the Company in respect of trading in the Shares and other securities issued by the Company from time to time, as described in Section 6.5.6
Shareholders	The holders of Shares
Shares	A fully paid Ordinary Share in the capital of the Company
Significant Accounting Policies	The principal accounting policies adopted in the presentation of the Financial Information set out in Appendix 2
SOR	Sale-or-return, being one of the store models for the supermarkets the Lynch Group supplies in Australia, as explained in Section 3.3.1
SRN	Securityholder reference number
Statutory Forecast Cash Flows	Has the meaning given to that term in Section 4.1
Statutory Forecast Financial Information	Has the meaning given to that term in Section 4.1
Statutory Forecast Income Statements	Has the meaning given to that term in Section 4.1
Statutory Historical Cash Flows	Has the meaning given to that term in Section 4.1
Statutory Historical Financial Information	Has the meaning given to that term in Section 4.1

Appendix 3 Glossary

Term	Definition
Statutory Historical Income Statements	Has the meaning given to that term in Section 4.1
Statutory Historical Statement of Financial Position	Has the meaning given to that term in Section 4.1
Subsidiaries	The subsidiary companies within the Lynch Group, being the companies listed in Appendix 1
Successful Applicant	An Applicant or Institutional Investor who is transferred or issued Shares under the Offer
Sydney Time	The time in Sydney, New South Wales, Australia
TSR	Total shareholder return
Underwriting Agreement	The agreement between the Joint Lead Managers and the Offerors, as described in Section 10.1
United States	Has the meaning given to that term in the US Securities Act
US Securities Act	United States Securities Act of 1933 (as amended)
USD	United States Dollar
VDB Acquisition	The agreement between Lynch HK and Van den Berg Roses Asia B.V and Bridge International Holding Limited in relation to the VDB Acquisition, as described in Section 10.4
VDB Acquisition Agreement	The agreement between Lynch HK and the VDB Shareholders in relation to the VDB Acquisition, as described in Section 10.4
VDB Asia	Van den Berg Asia Holding Ltd (Hong Kong)
VDB Group	VDB Asia and its Subsidiaries, and a **VDB Group Member** is any one of them
VDB Purchase Price	Has the meaning given to that term in Section 10.4
VDB Shareholders	Arie Van den Berg, Nicolaas Theodorus Pannekeet, Ron Van Winden, Cornelis Harteveld and Dirk Vlaar.
WFOE	Has the meaning given to that term in Section 5.3.8
Yunnan Province	A province in the southwest of the People’s Republic of China, spanning approximately 394,000 square kilometres and the capital city of which is Kunming

Application Form

Hi-res PDF to be supplied.

(4 pages have been allocated for an Application Form and a duplicate form. This is because the stock used differs from the main Prospectus, and must be a 4-page section for binding purposes.)

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Corporate Directory

Offerors

Lynch Group Holdings Limited
Lynch SaleCo Limited
24 Helles Avenue
Moorebank NSW 2170 Australia

Financial Adviser

Stanton Road Partners Pty Ltd
Level 11, 131 Macquarie Street
Sydney NSW 2000 Australia

Joint Lead Managers

Citigroup Global Markets Australia Pty Limited
Citigroup Centre 2 Park Street
Sydney NSW 2000 Australia

Jarden Australia Pty Ltd
Level 24, 60 Martin Place
Sydney NSW 2000 Australia

J.P. Morgan Securities Australia Limited
Level 18, J.P. Morgan House
85 Castlereagh Street
Sydney NSW 2000 Australia

Co-Lead Managers

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000 Australia

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000 Australia

Website

www.lynchgroup.com.au

Investigating Accountant

Deloitte Corporate Finance Pty Limited
Grosvenor Place, 225 George Street
Sydney NSW 2000 Australia

Tax Adviser

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay Barangaroo NSW 2000 Australia

Legal Adviser

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006 Australia

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place, 225 George Street
Sydney NSW 2000 Australia

Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000 Australia

Lynch Group Offer Information Line

Between 8.30am to 5.30pm (Sydney Time)
Monday to Friday (excluding public holidays)

Inside Australia
1800 129 386

Outside Australia
+61 1800 129 386

Offer website
https://events.miraqle.com/lynchgroup-ipo

www.colliercreative.com.au #LYG0001

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