Lynch Group Holdco Pty Ltd and Controlled Entities

ACN 608 543 219

Annual report for the financial year ended
28 June 2020

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Annual report
for the financial year ended 28 June 2020

Contents

Directors' report

The directors submit herewith the annual financial report of Lynch Group Holdco Pty Limited (the "Company") and its controlled entities (the "Group") for the financial year ended 28 June 2020. The directors report as follows:

The names of the directors of the Company during and since the end of the financial year are:

Name
Mr L.W. Lynch
Mr J. Khalil
Mr C. S. Coudounaris
Mr J. J. Murphy (alternate director)
Mr P. F. Elliott
Mr R. Tayeh (alternate director)

Principal activities

The principal activity of the Group in the course of the financial year was horticultural production and wholesale of flowers and plants.

No significant change in the nature of this activity occurred during the year.

Review of operations

The Group engaged in its principal activity, the results of which are disclosed in the attached financial statements.

The profit/(loss) of the Group after providing for income tax amounted to $5,840,558 (2019: ($782,594)).

Changes in state of affairs

On 4 September 2019, the Group completed the acquisition of a 20% shareholding in Van den Berg Asia Holdings Limited, a Hong Kong based entity, whose principal activity is horticultural production in South West China and distribution of flowers and potted plants.

Other than as noted above, there were no significant changes in the state of affairs of the Group during the reporting year.

Subsequent events

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 caused disruption to businesses and economic activity. Although the situation remains fluid (due to continuing spread of COVID-19 itself and changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Group have assessed that there is currently no material financial impact of COVID-19 on the Group's financial position and results.

The extent of the future impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response, and the impact on customers, employees and vendors all of which are uncertain and cannot be predicted at this time.

Given the inherent unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities combined with customer behaviours, the actual financial impact of the COVID-19 outbreak, if any, on the Group's 2021 financial statements could be significantly different from the current status assessment disclosed above depending on how the situation evolves.

Directors' report

Subsequent events (continued)

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

Future developments

The Group expects to continue to grow its present level of operations, both in Australia and China.

Environmental regulations

The Group is subject to various states and federal environmental regulations and has procedures in place to manage the Group's environmental responsibilities and compliance. No material breaches of the requirements or any environmental issues have been identified during the year.

Dividends

No dividends have been paid or declared since the start of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

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

On behalf of the Directors

Patrick Francis Elliott
Director
Sydney, 28 October 2020

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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225 George Street
Sydney, NSW, 2000
Australia

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Board of Directors
Lynch Group Holdco Pty Limited
24 Helles Avenue
MOOREBANK NSW 2170

28 October 2020

Dear Board Members

Lynch Group Holdco Pty Limited

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

As lead audit partner for the audit of the financial statements of Lynch Group Holdco Pty Limited for the financial year ended 28 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Deloitte.

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

Opinion

We have audited the financial report, being a special purpose financial report, of Lynch Group Holdco Pty Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 28 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 28 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 2 and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report for the year ended 28 June 2020, but does not include the financial report and our auditor's report thereon.

Deloitte.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 28 October 2020

Directors' declaration

As detailed in Note 2 to the financial statements, the Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

The directors declare that:
(a) in the directors' opinion, there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable; and
(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards to the extent described in note 2 and giving a true and fair view of the Group's financial position at 28 June 2020 and of its performance for the financial year ended on that date.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 25 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Patrick Francis Elliott
Director
Sydney, 28 October 2020

Consolidated statement of profit or (loss) and other comprehensive income for the financial year ended 28 June 2020

	Note	Consolidated 1 July 2019 to 28 June 2020 $	Consolidated 2 July 2018 to 30 June 2019 $
Continuing operations			
Revenue		230,426,747	233,826,917
Raw materials and consumables used		(177,729,932)	(189,089,612)
Other income	3	3,306,391	-
Share of profits of associate	13	692,776	-
Employee benefits expense	4	(14,623,529)	(13,699,338)
Depreciation and amortisation expense	4	(10,303,719)	(7,498,611)
Marketing expenses		(824,285)	(1,634,889)
Occupancy expenses	4	(2,315,207)	(5,520,361)
Finance costs	4	(5,115,644)	(5,533,912)
Other expenses		(14,826,959)	(11,916,758)
Profit /(Loss) before tax		8,686,639	(1,066,564)
Income tax (expense)/ benefit	5	(2,846,081)	283,970
Profit/(Loss) for the year		5,840,558	(782,594)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	22	(80,544)	471,671
Total comprehensive income/(loss)for the year		5,760,014	(310,923)

Notes to the financial statements are included on pages 12 to 33

Consolidated statement of financial position
as at 28 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Current assets			
Cash and cash equivalents	24(a)	15,243,744	2,139,128
Trade and other receivables	6	17,703,062	18,835,928
Inventories	7	11,816,665	11,016,125
Biological assets	8	865,857	-
Current tax asset	9	-	569,501
Other	10	1,193,787	1,416,271
Total current assets		46,823,115	33,976,953
Non-current assets			
Property, plant and equipment	11	23,703,978	19,646,401
Right-of-use assets	12	19,985,805	-
Investment in associate	13	10,416,657	-
Goodwill	14	84,674,087	84,674,087
Other intangible assets	15	33,297,931	38,531,069
Total non-current assets		172,078,458	142,851,557
Total assets		218,901,573	176,828,510
Current liabilities			
Trade and other payables	16	36,680,137	29,513,603
Current tax liabilities	9	134,108	5,254
Lease liabilities	17	3,267,133	-
Borrowings	18	10,810,901	10,102,503
Provisions	19	6,281,523	5,517,898
Total current liabilities		57,173,802	45,139,258
Non-current liabilities			
Lease liabilities	17	19,350,342	-
Borrowings	18	64,638,283	56,643,375
Provisions	19	612,100	839,776
Deferred tax liabilities	20	6,531,230	8,302,059
Total non-current liabilities		91,131,955	65,785,210
Total liabilities		148,305,757	110,924,468
Net assets		70,595,816	65,904,042
Equity			
Issued capital	21	66,737,600	66,737,600
Reserves	22	576,883	50,017
Retained earnings/(Accumulated losses)	23	3,281,333	(883,575)
Total equity		70,595,816	65,904,042

Notes to the financial statements are included on pages 12 to 33

Consolidated statement of changes in equity
for the financial year ended 28 June 2020

	Consolidated					
	Issued capital $	Foreign currency translation reserve $	Statutory surplus reserve $	Share based payments reserve $	Retained earnings $	Total $
Balance at 2 July 2018	66,337,600	(421,654)	-	-	(100,981)	65,814,965
Issue of shares	400,000	-	-	-	-	400,000
Loss for the year	-	-	-	-	(782,594)	(782,594)
Other comprehensive income for the year	-	471,671	-	-	-	471,671
Total comprehensive income / (loss) for the year	-	471,671	-	-	(782,594)	(310,923)
Balance at 30 June 2019	66,737,600	50,017	-	-	(883,575)	65,904,042
Balance at 1 July 2019	66,737,600	50,017	-	-	(883,575)	65,904,042
Impact of first time adoption of AASB 16	-	-	-	-	(1,282,194)	(1,282,194)
Share based payments	-	-	-	213,954	-	213,954
Profit for the year	-	-	-	-	5,840,558	5,840,558
Transfer to statutory surplus reserve	-	-	393,456	-	(393,456)	-
Other comprehensive income for the year	-	(80,544)	-	-	-	(80,544)
Total comprehensive income / (loss) for the year	-	(80,544)	393,456	213,954	4,164,908	4,691,774
Balance at 28 June 2020	66,737,600	(30,527)	393,456	213,954	3,281,333	70,595,816

Notes to the financial statements are included on pages 12 to 33

Consolidated statement of cash flows
for the financial year ended 28 June 2020

	Note	Consolidated 1 July 2019 to 28 June 2020 $	2 July 2018 to 30 June 2019 $
Cash flows from operating activities			
Receipts from customers		258,495,406	258,771,878
Payments to suppliers and employees		(227,857,658)	(255,117,828)
Interest and other costs of finance paid		(4,201,810)	(3,989,737)
Net income tax paid		(3,670,718)	(1,777,700)
Net cash generated/(used in) by operating activities	24(c)	22,765,220	(2,113,387)
Cash flows from investing activities			
Payment for acquisition of business, net of cash acquired		(338,941)	(11,893,007)
Payment for acquisition of investment in associate		(9,723,881)	-
Interest received		-	11,260
Payments for property, plant and equipment and intangible assets		(3,721,389)	(5,606,362)
Net cash used in investing activities		(13,784,211)	(17,488,109)
Cash flows from financing activities			
Proceeds from bank loans		717,857	69,522,510
Proceeds from shareholder loans		10,713,191	-
Payment of transaction costs related to bank loans		-	(1,475,550)
Repayment of bank loans		(2,587,455)	(60,747,891)
Repayment of overdraft		(2,697,010)	-
Repayment of principal portion of lease liabilities		(2,022,976)	-
Proceeds from issuance of shares		-	400,000
Net cash generated by financing activities		4,123,607	7,699,069
Net increase/(decrease) in cash and cash equivalents		**13,104,616**	**(11,902,427)**
Cash and cash equivalents at the beginning of the financial year		**2,139,128**	**14,041,555**
Cash and cash equivalents at the end of the financial year	24(a)	**15,243,744**	**2,139,128**

Notes to the financial statements are included on pages 12 to 33

Notes to the financial statements
for the financial year ended 28 June 2020

1. General information

Lynch Group Holdco Pty Limited (the "Company") is a proprietary company, incorporated and operating in Australia.

Lynch Group Holdco Pty Limited's registered office and principal place of business are as follows:

Registered office and principal place of business
24 Helles Avenue
MOOREBANK NSW 2170

The principal activity of the Company and its controlled entities (together referred to as the "Group") in the course of the financial year was horticultural production and wholesale of flowers and plants.

2. Significant accounting policies

Financial reporting framework
The Group is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

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

Statement of compliance
The financial report has been prepared in accordance with the *Corporations Act 2001*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 1054 'Australian Additional Disclosures'.

Basis of preparation
The financial statements have been prepared on the basis of historical cost, except as otherwise disclosed in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Details regarding accounting estimates and judgements are given in Note 3.

Notes to the financial statements
for the financial year ended 28 June 2020

2. Significant accounting policies (continued)

Adoption of new and revised Accounting Standards
In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting year.

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

AASB 16 'Leases'

In the current year, the Group has applied AASB 16 *'Leases'* for the first time. The date of initial application of AASB 16 for the Group is 1 July 2019.

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as lessee, has recognised right-of-use assets representing its right to use the underlying assets, and lease liabilities representing its obligation to make lease payments.

The Group has changed its accounting policy for lease contracts. In accordance with the transitional provisions in AASB 16, the new requirements have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019. Comparatives for the 2019 financial year have not been restated. The details of the changes in accounting policies are disclosed below.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets.*

Impact on financial statements

The impact of the adoption as at the transition date 1 July 2019 is as follows:

	1 July 2019
	$
Lease liabilities *	24,474,079
Right-of use assets	22,642,373
Deferred tax asset	549,512
Impact on opening retained profits as at 1 July 2019	1,282,194

* *The lease payments have been discounted based on the incremental borrowing rate which ranges between of 4%-6%.*

Notes to the financial statements
for the financial year ended 28 June 2020

2. Significant accounting policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). 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.

(b) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) 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.

(d) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method from the date which the investee becomes an associate. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate.

The requirements of AASB 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount.

Notes to the financial statements
for the financial year ended 28 June 2020

2. Significant accounting policies (continued)

(e) 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.

(f) 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.

(g) 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.

2. Significant accounting policies (continued)

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 plus any directly attributable transaction costs. 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.

(h) 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 Lynch Group Holdco Pty Limited, 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 year. Exchange differences arising are classified as equity and transferred to the translation reserve of the Group. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

(i) 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.

Notes to the financial statements for the financial year ended 28 June 2020

2. Significant accounting policies (continued)

(i) Goodwill (continued)

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.

(j) 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 to sell 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 years.

(k) Income tax

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).

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.

Notes to the financial statements for the financial year ended 28 June 2020

2. Significant accounting policies (continued)

(k) Income tax (continued)

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.

Current and deferred tax for the year

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

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Lynch Group Holdco Pty Limited 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.

(l) Intangible assets

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.

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.

The estimated useful lives and amortisation method of intangible assets are reviewed at the end of each annual reporting year, with any changes being recognised as a change in accounting estimate.

Notes to the financial statements
for the financial year ended 28 June 2020

2. Significant accounting policies (continued)

(m) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(n) Biological assets

The biological assets of the Group are measured at their fair value, less estimated sale costs. The fair value adjustment during the year is recognised within 'Other income' in the consolidated statement of profit or loss and other comprehensive income.

(o) Property, plant and equipment

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing balance 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.

(p) Leases

Right-of-use assets (from 1 July 2019)

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.

Lease liabilities (from 1 July 2019)

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.

(q) 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.

(r) Share-based payments

Share-based payments made to employees, that grant rights over shares of the parent entity, Lynch Group Holdco Pty Limited, are accounted for as equity-settled share based payment transactions when the rights over the shares are granted by Lynch Group Holdco Pty Limited. 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.

Notes to the financial statements for the financial year ended 28 June 2020

2. Significant accounting policies (continued)

(s) Revenue

The Group recognises revenue predominantly from the sale of flowers and plants. Revenue is recognised net of settlement discounts at the point of sale when the performance obligation has been satisfied, which is when the customer obtains control of the flowers and plants, generally at the time of delivery.

All revenue is stated net of the amount of goods and services tax (GST).

(t) Interest income

Interest income is recognised using the effective interest method.

(u) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. 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

ii. 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.

(v) Government grants

Government grants, including jobkeeper in the current period, are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(x) Reporting year

As permitted by the *Corporations Act 2001*, the Group adopts a 52-week reporting year. The current reporting year ended on 28 June 2020.

(y) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective:

- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities. This standard is expected to be adopted by 30 June 2022.

(z) Net current liabilities

The consolidated statement of financial position reflects a net current liability position as at 28 June 2020 of $10,350,687 (30 June 2019: net current liability position of $11,162,305). The Group generated a profit after tax in the current year of $5,840,558 (2019: loss of $782,594) and positive cash flows from operating activities of $22,796,220 (2019: cash used in operating activities of $2,113,387).

The directors are satisfied that the Group and the Company will be able to meet their working capital requirements through the budgeted cyclical nature of receipts and payments generated from operations, and if required, draw down of unused or negotiated additional facilities (refer Note 24(b)).

Notes to the financial statements for the financial year ended 28 June 2020

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies
The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Property, plant and equipment
Useful lives and residual values of property, plant and equipment are reviewed annually. Judgment is applied in determining the useful lives of property, plant and equipment. Any reassessment of useful lives and residual value in a particular period will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future periods.

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

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

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

The assumptions used in the estimation of the recoverable amounts and the carrying amounts of goodwill and other intangible assets are discussed in Note 14.

The impairment testing indicated that goodwill and other intangible assets are not impaired and accordingly, no impairment loss has been provided.

Fair value of biological assets
The key assumptions underlying fair value determination of biological assets yield estimates and selling prices.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create economical incentive to exercise an option are considered at the lease determination date.

Incremental borrowing rates
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Notes to the financial statements
for the financial year ended 28 June 2020

3. Other income

	Consolidated 2020 $	Consolidated 2019 $
Fair value adjustment to biological assets	520,104	-
Jobkeeper income	2,786,287	-
	3,306,391	-

4. Profit/(Loss) for the year

	Consolidated 2020 $	Consolidated 2019 $
Profit/(loss) for the year includes the following items charged to the profit or loss:		
Depreciation of property, plant and equipment	2,389,969	1,778,957
Depreciation of right-of-use assets	2,656,568	-
Amortisation of intangible assets	5,257,182	5,719,654
	10,303,719	7,498,611
Fair value loss on forward exchange contracts	716,153	-
Lease occupancy and other variable lease expenses	2,315,207	5,520,361
Employee benefits expense	14,409,575	13,699,338
Share-based payments	213,954	-
	14,623,529	13,699,338
Finance costs		
Interest and finance charges – banks and others	3,971,746	5,533,912
Interest on lease liabilities	1,143,898	-
	5,115,644	5,533,912

5. Income taxes

Tax expense comprises:	Consolidated 2020 $	Consolidated 2019 $
Current tax expense	4,616,910	1,443,193
Deferred tax benefit	(1,770,829)	(1,727,163)
Total tax expense/(benefit)	2,846,081	(283,970)

Pre-tax accounting (profit)/ from operations reconciles to the income tax expense in the financial statements as follows:

(Profit)/loss before tax for the year	(8,686,639)	1,066,564
Income tax expense/(benefit) calculated at 30%	2,605,992	(319,969)
Tax differential relating to overseas entities	(77,123)	(35,176)
Tax losses of overseas entities not recognised	43,337	-
Previously unrecognised tax losses recouped in the current year	-	(114,642)
Share of profits in associate not taxable	(207,833)	-
Other non-deductible items	679,714	216,343
Other tax differences	(198,006)	(30,526)
Total tax expense/ (benefit)	2,846,081	(283,970)

Notes to the financial statements for the financial year ended 28 June 2020

5. Income taxes (continued)

	Consolidated 2020 $	Consolidated 2019 $
Franking credits available for subsequent financial years	29,516,575	25,867,254

6. Trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Current		
Trade receivables and other receivables	17,481,339	19,487,912
Other receivables	1,048,500	-
Provision for expected credit losses and other returns	(826,777)	(651,984)
	17,703,062	18,835,928

7. Inventories

	Consolidated 2020 $	Consolidated 2019 $
Raw and packaging materials – at cost	9,982,752	8,990,976
Finished goods – at cost	1,833,913	2,025,149
	11,816,665	11,016,125

8. Biological assets

	Consolidated 2020 $	Consolidated 2019 $
At fair value	865,857	-

9. Current tax assets and liabilities

	Consolidated 2020 $	Consolidated 2019 $
Current tax refund receivable	-	569,501
Current income tax payable	134,108	5,254

Notes to the financial statements for the financial year ended 28 June 2020

10. Other assets

	Consolidated 2020 $	Consolidated 2019 $
Deposits and prepayments	1,193,787	1,416,271

11. Property, plant and equipment

	Leasehold land $	Leasehold improve-ments $	Plant and equipment $	Motor vehicles $	Construc-tion in progress $	Bearer plants $	Total $
2020							
Gross carrying amount	823,568	7,017,788	23,817,885	1,766,330	1,368,850	1,968,043	36,762,464
Accumulated depreciation	(185,116)	(1,915,037)	(9,007,824)	(1,005,787)	-	(944,722)	(13,058,486)
	638,452	5,102,751	14,810,061	760,543	1,368,850	1,023,321	23,703,978
2019							
Gross carrying amount	581,722	6,396,502	19,834,930	1,753,530	1,319,582	1,470,414	31,356,680
Accumulated depreciation	(161,849)	(1,746,921)	(8,374,633)	(882,288)	-	(544,588)	(11,710,279)
	419,873	4,649,581	11,460,297	871,242	1,319,582	925,826	19,646,401

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

- Leasehold improvements 10% - 20% reducing balance
- Plant and equipment 20% - 30% reducing balance
- Motor vehicles 20% - 30% reducing balance
- Computer hardware 30% - 40% reducing balance
- Leasehold land Term of lease
- Bearer plants 5-7 years straight-line

12. Right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Balance at 1 July	22,642,373	-
Depreciation for the year (Note 4)	(2,656,568)	-
Balance at 28 June 2020	19,985,805	-

i) Right-of-use assets are depreciated on a straight-line basis over the term of the leases. The lease terms are between 4-18 years.

Notes to the financial statements for the financial year ended 28 June 2020

13. Investment in associate

	Consolidated 2020 $	Consolidated 2019 $
Investment in associate at cost - Van den Berg Asia Holdings Limited	9,723,881	-
Share of profit for the year	692,776	-
	10,416,657	-

14. Goodwill

	Consolidated 2020 $	Consolidated 2019 $
Goodwill	84,674,087	84,674,087

During the financial year, the directors assessed the recoverable amount of goodwill and other intangible assets and determined that there was no impairment.

The recoverable amounts of goodwill and other intangible assets have been determined based on a value in use calculation using cash flow projections based on financial budget approved by the directors covering a one year period (financial year 2021) with an applied subsequent perpetuity growth rate of 2%. The net cash flows are then discounted using a post-tax cost of capital rate of 10%.

The directors believe that any reasonable change in key assumptions on which recoverable amount of goodwill and other intangible assets is based would not cause any material impairment.

15. Other intangible assets

	Computer Software $	Brands $	Other Software $	Databases $	Customer Relationships $	Total $
2020						
Gross carrying amount	4,521,541	10,870,000	2,608,000	6,589,000	36,308,000	60,896,541
Accumulated amortisation	(3,613,188)	-	(2,608,000)	(6,149,733)	(15,227,689)	(27,598,610)
	908,353	10,870,000	-	439,267	21,080,311	33,297,931
2019						
Gross carrying amount	4,497,497	10,870,000	2,608,000	6,589,000	36,308,000	60,872,497
Accumulated amortisation	(3,153,273)	-	(2,608,000)	(4,831,933)	(11,748,222)	(22,341,428)
	1,344,224	10,870,000	-	1,757,067	24,559,778	38,531,069

i) The following useful lives are used in the calculation of amortisation:

- Computer software — 2 ½ years
- Acquired brands — non-amortisable
- Acquired software — 3 years
- Acquired databases — 5 years
- Acquired customer relationships — 10 years

Notes to the financial statements
for the financial year ended 28 June 2020

16. Trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Trade payables	23,245,656	21,882,722
Derivatives	716,153	-
Other payables and accruals	12,718,328	7,630,881
	36,680,137	29,513,603

17. Lease liabilities

	Consolidated 2020 $	Consolidated 2019 $
Balance at 1 July	24,474,078	-
Deferred rental accrual	166,373	-
Finance charges (note 4)	1,143,898	-
Lease repayments	(3,166,874)	-
Balance at 28 June	22,617,475	-
Current portion	3,267,133	-
Non-current portion	19,350,342	-

18. Borrowings

	Consolidated 2020 $	Consolidated 2019 $
Current		
Secured – at amortised cost		
Bank loans – term and multi-option facility	7,500,000	5,000,000
Bank loans – commercial bills	2,769,157	2,075,500
Bank overdraft	-	2,697,010
Finance lease	266,744	329,993
	10,535,901	10,102,503
Unsecured-at amortised cost		
Loans arising on business/asset acquisitions	275,000	-
Total current borrowings	10,810,901	10,102,503
Non-current		
Secured – at amortised cost		
Bank loans – term and multi-option facility	52,136,092	56,643,375
Unsecured-at amortised cost		
Shareholders loan principal plus interest	11,135,191	-
Loans arising on business/asset acquisitions	1,367,000	
Total non-current borrowings	64,638,283	56,643,375
Total borrowings	75,449,184	66,745,878

Notes to the financial statements for the financial year ended 28 June 2020

19. Provisions

	Consolidated 2020 $	Consolidated 2019 $
Current		
Employee benefits	6,281,523	5,517,898
Non-current		
Employee benefits	612,100	839,776

20. Deferred tax liabilities

	Consolidated 2020 $	Consolidated 2019 $
Net temporary differences	6,531,230	8,302,059

Deferred tax liabilities comprise mainly of temporary differences in respect of amortisable intangibles recognised on acquisition, offset by deferred tax assets in respect of the adoption of AASB 16 in the current year, provision for employee entitlements, depreciation on property, plant and equipment, and tax losses in China jurisdiction.

21. Issued capital

	Consolidated 2020 $	Consolidated 2019 $
66,737,600 (2019: 66,737,600) fully paid ordinary shares	66,737,600	66,737,600
1,274,652 (2019:1,424,985) management shares	810,328	999,737
Less treasury shares	(810,328)	(999,737)
	66,737,600	66,737,600

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Management shares have no voting rights and are convertible to ordinary shares on meeting specified conditions.

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

22. Reserves

	Consolidated 2020 $	Consolidated 2019 $
Balance at beginning of financial year	50,017	(421,654)
Translation of foreign operations	(80,544)	471,671
Transfer to statutory reserve surplus	393,456	-
Share based payments reserve	213,954	-
Balance at end of financial year	576,883	50,017

Exchange differences relating to the translation from the functional currencies of the foreign controlled entities of the Group into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

Notes to the financial statements for the financial year ended 28 June 2020

23. Retained earnings/Accumulated losses

	Consolidated 2020 $	Consolidated 2019 $
Balance at beginning of financial year	883,575	100,981
Net (Profit)/ loss attributable to members of the parent entity	(5,447,102)	782,594
AASB 16 retained earnings adjustment – 1 July 2019	1,282,194	-
Balance at end of the financial year	(3,281,333)	883,575

Claims
A subsidiary of the Group is party to a claim relating to a business transaction which is alleged to have been made in contravention of the Corporations Act 2001.

The claim seeks to recover amounts of between \$3.2 million and \$4.4 million. At this time the directors do not consider that any material liability will be incurred in relation to the claim.

24. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	Consolidated 2020 $	Consolidated 2019 $
Cash and cash equivalents	15,243,744	2,139,128

Notes to the financial statements
for the financial year ended 28 June 2020

24. Notes to the statement of cash flows (continued)

(b) Financing facilities

	Consolidated 2020 $	Consolidated 2019 $
Commonwealth Bank of Australia		
Amortising term loan facility		
• amount used	8,350,000	10,850,000
• amount unused	-	-
	8,350,000	10,850,000
Bullet term loan facility		
• amount used	51,900,000	51,900,000
• amount unused	-	-
	51,900,000	51,900,000
Multi-option facility		
• amount used	498,667	3,283,757
• amount unused	8,501,333	2,716,243
	9,000,000(i)	6,000,000
Bank of China		
Commercial bills facility		
• amount used	2,769,157	2,075,500
• amount unused	-	415,108
	2,769,157	2,490,608

(i) Available facility reduces to $6,000,000 on 31 March 2021.

Notes to the financial statements
for the financial year ended 28 June 2020

24. Notes to the statement of cash flows (continued)

(c) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 2020 $	Consolidated 2019 $
Profit/(Loss) for the year	5,840,558	(782,594)
Depreciation and amortisation	10,303,720	7,498,611
Non-cash finance costs	913,833	1,544,175
Interest received	-	(11,260)
Foreign exchange differences	(80,544)	471,671
Share based payments	213,954	-
Revaluation of biological assets	(520,104)	-
Deferred rental expense	166,373	-
Loss on forward exchange contracts	716,153	-
Changes in assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	1,132,868	1,616,221
Inventories	(800,540)	(3,014,028)
Biological assets	(345,753)	-
Current tax assets	569,501	(285,142)
Other assets	222,484	(267,409)
Increase / (decrease) in liabilities:		
Trade and other payables	5,538,743	(7,233,688)
Current tax liabilities	128,854	(49,365)
Deferred tax liabilities	(1,770,829)	(1,727,163)
Provisions	535,949	126,584
Net cash generated by/ (used in) operating activities	22,765,220	(2,113,387)

Notes to the financial statements
for the financial year ended 28 June 2020

25. Subsidiaries

Name of entity	Country of incorporation	2020 %
Parent entity		
Lynch Group Holdco Pty Limited (i), (iii), (v)	Australia	
Subsidiaries		
Lynch Group Bidco Pty Limited (ii), (iii), (v)	Australia	100
Lynch Group Holdings Pty Limited (ii), (iii), (v)	Australia	100
Lynch Fresh Holdings Pty Limited (ii), (iii), (v)	Australia	100
The Lynch Group of Companies Pty Limited (ii) (iii)	Australia	100
Lynch China Pty Limited (ii), (iii), (v)	Australia	100
Lynch Fresh Pty Limited (ii), (iii), (v)	Australia	100
Lynch Group Australia Pty Limited (ii), (iii), (v)	Australia	100
Lynch Flowers Victoria Pty Ltd (ii), (iii)	Australia	100
Leo Lynch & Sons (Qld) Pty. Limited (ii), (iii)	Australia	100
Lynch Flowers (W.A.) Pty Ltd (ii), (iii)	Australia	100
Exauflor Pty Ltd (ii), (iii)	Australia	100
Gladlands Flowers Pty Limited (ii), (iii), (v)	Australia	100
Pine Valley (Qld) Pty Ltd (ii), (iii), (v)	Australia	100
Australiawide Flowers Pty Ltd (ii), (iii), (iv), (v)	Australia	100
Lynch Administration Pty Ltd (ii), (iii), (v)	Australia	100
Lynch Admin Services Pty Ltd (ii), (iii), (v)	Australia	100
Lynch Manufacturing Group Pty Ltd (ii), (iii), (v)	Australia	100
Lynch Manufacturing NSW Pty Ltd (ii), (iii), (v)	Australia	100
Lynch Manufacturing Qld Pty Ltd (ii), (iii), (v)	Australia	100
Lynch Manufacturing Victoria Pty Ltd (ii), (iii), (v)	Australia	100
Lynch Manufacturing W.A. Pty Ltd (ii), (iii), (v)	Australia	100
Lynch China (HK) Ltd	Hong Kong	100
Lynch Trading (Yunnan) Company Limited	China	100
Yunnan Lynch Horticulture Company Limited	China	100
Yunnan Lynch Agriculture Company Limited	China	100
Lynch (Shanghai) Trading	China	100

(i) Lynch Group Holdco Pty Limited is the head entity within the tax-consolidated group.
(ii) These companies are members of the tax-consolidated group.
(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Lynch Group Holdings Pty Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. All subsidiaries became a party the new deed of cross guarantee on 20 May 2020.
(iv) This entity was acquired during the year.
(v) These companies act as grantors under the secured borrowing facility (Note 18).

Notes to the financial statements
for the financial year ended 28 June 2020

25. Subsidiaries (continued)

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

	1 July 2019 to 28 June 2020 $	2 July 2018 to 30 June 2019 $
Statement of financial position		
Assets		
Current assets	33,123,837	21,411,682
Non-current assets	150,101,404	130,388,765
Total assets	183,225,241	151,800,447
Liabilities		
Current liabilities	30,759,043	38,823,919
Non-current liabilities	87,956,801	53,777,463
Total liabilities	118,715,844	92,601,382
Equity		
Issued capital	66,737,600	66,737,600
Reserves	(384,827)	-
Retained earnings/(Accumulated losses)	(1,843,376)	(7,538,535)
Total equity	64,509,397	59,199,065
Statement of profit or loss and comprehensive income		
Profit/(Loss) for the year	7,904,646	(2,446,377)
Total comprehensive profit/ (loss)	7,904,646	(2,446,377)

26. Audit and accounting expenses

	Consolidated 2020 $	Consolidated 2019 $
Audit of financial statements	136,990	127,500
Preparation of tax return and other tax services	29,000	30,000
Due diligence work	100,650	-
Other non audit services	15,450	-
	282,090	157,500

The auditor the Group is Deloitte Touche Tohmatsu.

Notes to the financial statements for the financial year ended 28 June 2020

27. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

	2020 $	2019 $
Statement of financial position		
Assets		
Current assets	2,560,714	569,501
Non-current assets	66,337,600	66,337,600
Total assets	68,898,314	66,907,101
Liabilities		
Current liabilities	2,160,714	169,501
Total liabilities	2,160,714	169,501
Equity		
Issued capital	66,737,600	66,737,600
Total equity	66,737,600	66,737,600
Profit for the year	-	-

28. Comparatives

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results.

29. Subsequent events

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 caused disruption to businesses and economic activity. Although the situation remains fluid (due to continuing spread of COVID-19 itself and changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the directors of the Group have assessed that there is currently no material financial impact of COVID-19 on the Group's financial position and results.

The extent of the future impact of COVID-19 on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response, and the impact on customers, employees and vendors all of which are uncertain and cannot be predicted at this time.

Given the inherent unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities combined with customer behaviours, the actual financial impact of the COVID-19 outbreak, if any, on the Group's 2021 financial statements could be significantly different from the current status assessment disclosed above depending on how the situation evolves.

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