Lynch Group Holdco Pty Ltd and its controlled entities

ACN 608 543 219

Half year report for the period ended 27 December 2020

Half year report
for the period ended 27 December 2020

Contents

Directors' report

The directors submit herewith the half-year financial report of Lynch Group Holdco Pty Limited (the "Company") and its controlled entities (the "Group") for the half-year ended 27 December 2020. The directors report as follows:

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

Name
Mr L.W. Lynch
Mr J. Khalil
Mr C. S. Coudounaris
Mr J. J. Murphy (alternate director, resigned in 13 November 2020)
Mr P. F. Elliott
Mr R. Tayeh (alternate director)

Principal activities

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

Review of operations

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

The Group's net profit for the half year period was $9,136,245 (half year 2019: $694,672).

Significant changes in state of affairs

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

Likely developments and expected results of operations

Initial Public Offering

The Group are in the process of preparing for an Initial Public Offering (IPO) on the Australia Securities Exchange (ASX). The IPO is expected to complete in the first half of the 2021 calendar year.

As part of the IPO, the Group intend to acquire the remaining 80% of the Ordinary shares of 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.

Impact of COVID-19

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 the COVID-19 pandemic on the Group's financial position and results.

The extent of the future impact of the COVID-19 pandemic on the Group's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact of proposed vaccinations, 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 pandemic 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 pandemic outbreak, if any, on the Group could be significantly different from the current status assessment disclosed above depending on how the situation evolves.

Other than these developments, the Group expects to continue its principal activities for the foreseeable future.

Directors' report

Subsequent events

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.

Environmental regulation

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 period.

Dividends

No dividends have been paid or declared during the period, and the directors do not recommend the payment of a dividend in respect of the half year ended 27 December 2020.

Shares under option

Unissued ordinary shares of Lynch Group Holdco Pty Ltd under option as at 27 December 2020 are as follows:

Grant date	Expiry date	Exercise price	Number under option
24 June 2020	23 June 2030	$1.25	73,023

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Management shares

Management shares at the date of this report are as follows:

Grant date	Exercise price	Number of management shares
20 December 2016	$1.00	872,591
11 October 2018	$1.25	189,061
5 March 2019	$1.25	100,000
24 June 2020	$1.30	113,000
	Total	1,274,652

No person entitled to exercise the management shares had or has any right by virtue of the management shares to participate in any share issue of the Company or of any other body corporate.

Directors' report

Shares issued on the exercise of options

There were no ordinary shares of Lynch Group Holdco Pty Ltd issued on the exercise of options during the period ended 27 December 2020.

73,023 ordinary shares were issued on the exercise of options at the price of 1.25 in 29 January 2021.

Shares issued on the exercise of management shares

There were no ordinary shares of Lynch Group Holdco Pty Ltd issued on the conversion of management shares during the period ended 27 December 2020 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the period, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability 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.

Indemnity and insurance of auditor

The Company has not, during or since the end of the period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 4 of the half-year financial report.

Signed in accordance with a resolution of directors.

On behalf of the Directors

Patrick Francis Elliott
Director
Sydney, 15th February 2021

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

15th February 2021

Dear Board Members

Lynch Group Holdco Pty Limited

In accordance with the independence requirements of the professional accounting bodies in Australia, 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 review of the financial statements of Lynch Group Holdco Pty Limited for the half year ended 27 December 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 professional accounting bodies in Australia in relation to the review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Lynch Group Holdco Pty Limited (the "Company") The Company, which comprises the Condensed Consolidated Statement of Financial Position as at 27 December 2020 and the Condensed Consolidated Statement of Profit or Loss and other comprehensive income, the Condensed Consolidated Statement of Cash Flows and the Condensed Consolidated Statement of Changes in Equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 36.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lynch Group Holdco Pty Limited is not in compliance with Accounting Standard *AASB 134 Interim Financial Reporting.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report does not comply with Accounting Standard *AASB 134 Interim Financial Reporting*.

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

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the professional accounting bodies in Australia in relation to the review. We confirm that the independence declaration, which has been given to the directors of Lynch Group Holdco Pty Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 15th February 2021

Directors' declaration

The directors of Lynch Group Holdco Pty Limited declare that, in their opinion:

(a) there are reasonable grounds to believe that Lynch Group Holdco Pty Limited will be able to pay its debts as and when they become due and payable;

(b) the attached condensed consolidated financial statements and notes of Lynch Group Holdco Pty Limited and its controlled entities for the half-year ended 27 December 2020 comply with Accounting Standard AASB 134 *Interim Financial Reporting*.

Signed in accordance with a resolution of the Directors

Patrick Francis Elliott
Director
Sydney, 15th February 2021

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 27 December 2020

	Note	Consolidated Half year 27 Dec 2020 $	Consolidated Half year 29 Dec 2019 $
Continuing operations			
Revenue	3	138,417,989	114,287,106
Raw materials and consumables used		(78,982,353)	(67,700,040)
Other income	4	6,904,794	3,725,566
Share of profits of associate	9	901,577	498,133
Employee benefits expenses	5	(17,954,633)	(17,246,320)
Contractors expenses		(12,906,283)	(9,954,402)
Freight expenses		(6,531,541)	(6,810,194)
Depreciation and amortisation expense	5	(5,170,715)	(4,999,766)
Selling & marketing expenses		(373,764)	(204,628)
Occupancy expenses	5	(798,121)	(1,302,053)
Other expenses		(8,214,278)	(6,732,143)
Finance costs	5	(2,106,920)	(2,638,127)
Profit /(loss) before tax		13,185,752	923,132
Income tax (expense)/ benefit		(4,049,507)	(228,460)
Profit/(loss) for the period		9,136,245	694,672
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Other comprehensive income/(loss)		(991,039)	1,699
Total comprehensive income/(loss) for the period		8,145,206	696,371
Earnings per share		**Cents**	**Cents**
Basis	18	13.70	1.04
Diluted	18	13.70	1.04

Notes to the condensed consolidated financial statements are included on pages 13 to 36

Condensed consolidated statement of financial position as at 27 December 2020

	Note	Consolidated 27 Dec 2020 $	Consolidated 28 Jun 2020 $
Current assets			
Cash and cash equivalents		22,112,356	15,243,744
Trade and other receivables	6	24,889,579	17,703,062
Inventories	7	8,653,776	10,104,402
Biological assets	8	3,331,619	2,578,120
Other assets		2,471,972	1,193,787
Total current assets		61,459,302	46,823,115
Non-current assets			
Property, plant and equipment	10	25,381,745	23,703,978
Right-of-use assets	11	20,153,011	19,985,805
Investment in associate	9	11,318,234	10,416,657
Goodwill	12	84,674,087	84,674,087
Other intangible assets	12	30,864,288	33,297,931
Total non-current assets		172,391,365	172,078,458
Total assets		233,850,667	218,901,573
Current liabilities			
Trade and other payables	13	46,998,567	36,680,137
Current tax liabilities		1,360,655	134,108
Lease liabilities	11	3,266,395	3,533,877
Borrowings	14	59,861,699	10,544,157
Provisions		6,724,287	6,281,523
Total current liabilities		118,211,603	57,173,802
Non-current liabilities			
Lease liabilities	11	19,524,836	19,350,342
Borrowings	14	12,744,364	64,638,283
Provisions		869,150	612,100
Deferred tax liabilities	16	3,605,792	6,531,230
Total non-current liabilities		36,744,142	91,131,955
Total liabilities		154,955,745	148,305,757
Net assets		78,894,922	70,595,816
Equity			
Issued capital	17	66,737,600	66,737,600
Reserves		(233,160)	576,883
Retained earnings		12,390,482	3,281,333
Total equity		78,894,922	70,595,816

Notes to the condensed consolidated financial statements are included on pages 13 to 36

Condensed consolidated statement of changes in equity for the half year ended 27 December 2020

	Consolidated						
	Issued capital $	Foreign currency translation reserve $	Statutory surplus reserve $	Share based payments reserve $	Hedge Reserve $	Retained earnings $	Total $
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)
Profit for the period					-	694,672	694,672
Share based payments	-	-	-	106,797	-	-	106,797
Transfer to statutory surplus reserve	-	-	374,470	-	-	(374,470)	-
Other comprehensive income for the period	-	1,699	-	-	-	-	1,699
Total comprehensive income / (loss) for the period	-	1,699	374,470	106,797	-	(961,992)	(479,026)
Balance at 29 December 2019	66,737,600	51,716	374,470	106,797	-	(1,845,567)	65,425,016
Balance at 29 June 2020	66,737,600	(30,527)	393,456	213,954	-	3,281,333	70,595,816
Share based payments	-	-	-	153,900	-	-	153,900
Transfer to statutory surplus reserve	-	-	27,097	-	-	(27,097)	-
Profit for the period	-	-	-	-	-	9,136,245	9,136,245
Other comprehensive income for the period	-	(452,113)	-	-	(538,926)	-	(991,039)
Total comprehensive income / (loss) for the period	-	(452,113)	27,097	153,900	(538,926)	9,109,148	8,299,106
Balance at 27 December 2020	66,737,600	(482,640)	420,553	367,854	(538,926)	12,390,481	78,894,922

Notes to the condensed consolidated financial statements are included on pages 13 to 36

Condensed consolidated statement of changes in equity
for the half year ended 27 December 2020

Nature of reserves

Foreign currency reserve

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

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their compensation for services.

Statutory surplus reserve

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

Codensed consolidated statement of cash flows
for the half year ended 27 December 2020

		Consolidated	
	Note	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Cash flows from operating activities			
Receipts from customers		145,288,914	122,204,266
Payments to suppliers and employees`		(128,480,589)	(113,511,077)
Government grants		3,584,500	-
Interest and other costs of finance paid		(1,619,713)	(2,181,435)
Net income tax paid		(5,079,068)	(877,175)
Net cash generated by operating activities		13,694,044	5,634,579
Cash flows from investing activities			
Payment for acquisition of business		-	(338,000)
Payment for acquisition of investment in associate		-	(9,723,881)
Payments for property, plant and equipment		(2,558,066)	(2,545,072)
Net cash used in investing activities		(2,558,066)	(12,606,953)
Cash flows from financing activities			
Proceeds from bank loans		1,172,085	523,491
Proceeds from shareholder loans		-	10,713,191
Repayment of bank loans and overdraft		(4,235,665)	(1,618,670)
Repayment of principal portion of lease liabilities		(1,203,784)	(990,985)
Net cash (used in)/generated by financing activities		(4,267,364)	8,627,027
Net increase in cash and cash equivalents		6,868,614	1,654,653
Cash and cash equivalents at the beginning of the financial period		15,243,744	2,139,127
Cash and cash equivalents at the end of the financial period		22,112,358	3,793,780

Notes to the condensed consolidated financial statements are included on pages 13 to 36

Notes to the financial statements for the half year ended 27 December 2020

1. Basis of preparation

This general-purpose financial report for the half-year ended 27 December 2020 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*.

The condensed consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of certain financial instruments and biological assets to fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

Transition to Australian Accounting Standards

This is the first financial report the Company has prepared which is a general-purpose financial report. As a result, the Company has been required to apply Accounting Standard *AASB 1 First-time Adoption of Australian Accounting Standards*, with 1 July 2019 as the date of transition. The Australian Accounting Standards effective at 30 June 2021 have been applied to all periods presented in these financial statements.

As the Group has historically prepared its financial statements in accordance with the recognition and measurement principles of Australian Accounting Standards, the application of AASB 1 has not resulted in any impact on the amounts reported from the date of transition on 1 July 2019 to 27 December 2020. As such, no reconciliations have been prepared to demonstrate the impact of transition to Australian Accounting Standards.

As this is the first financial report the Company has prepared which is a general-purpose financial report, summarised below is an overview of the significant accounting policies adopted in the preparation and presentation of the financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

2. Significant accounting policies

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. The Group does not have any qualifying assets that meet the requirements to capitalise interest within their carrying value.

2. Significant accounting policies (continued)

(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.

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.

(d) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

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

The requirements of AASB 136 *Impairment of assets* 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 (including goodwill) is tested for impairment in accordance with AASB 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

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)

(g) Financial instruments

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.

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.

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.

(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 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.

2. Significant accounting policies (continued)

(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.

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 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.

2. Significant accounting policies (continued)

(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. 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 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.

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.

Notes to the financial statements for the half year ended 27 December 2020

2. Significant accounting policies (continued)

(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 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.

(m) 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.

(n) 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.

(o) 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(n) above).

(p) Leases

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.

2. Significant accounting policies (continued)

(p) Leases (continued)

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.

(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.

(s) 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).

(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 on a gross basis as 'other income' over the period necessary to match them with the costs that they are intended to compensate.

(w) Comparatives

Certain prior year amounts have been reclassified for consistency with current year presentation. This included transfer of $1,712,263 from inventories to biological assets to align with the current year presentation. This reclassification had no effect on the reported results.

2. Significant accounting policies (continued)

(x) 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. These are not expected to have a material impact.

New or revised requirement	When effective
• AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current Amends AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	• Annual reporting periods beginning on or after 1 January 2022
• AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	• Annual reporting periods beginning on or after 1 January 2022
• AASB 17 Insurance Contracts.	• AASB 17 is effective for reporting periods beginning on or after 1 January 2023

(y) Net current liabilities

The Group generated a profit after tax in the current half year of $9,136,245 (Half year 2019: $694,672) and positive net cash flows from operating activities of $13,342,561 (Half year 2019: $5,930,860).

The consolidated statement of financial position reflects a net current liability position as at 27 December 2020 of $56,752,301 (28 June 2020: net current liability position of $10,350,687). Included in current liabilities are current bank facilities totalling $59,861,699 which mature within 12 months of balance date.

The directors are satisfied that the Group and the Company will be able to meet their working capital requirements through either extension or refinancing of existing finance facilities before their expiry date, and through the budgeted cyclical nature of receipts and payments generated from operations.

(z) **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.

Refer to note 15 for further detailed regarding fair value policies applied in the current period.

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:

Intangible assets
Useful lives and residual value of intangible assets (excluding goodwill and indefinite life assets) are reviewed annually. Judgment is applied in determining the useful lives of intangible assets. Any reassessment of useful lives and residual value in a particular 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.

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 will be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an option are considered.

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.

Biological assets
Key estimates underlying fair value determination of biological assets include stage of maturity and harvest yields, harvest costs, and anticipated selling prices and associated selling costs.

3. Segment information

Identification of reportable operating segments

The Group is organised into two operating segments as follows:

Australia

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

China

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

The segment information is based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

3. Segment information (continued)

Seasonality of operations

December, February and May are months with higher sales due to Christmas, Valentine's Day and Mother's Day events. Sales during spring reflect increase in demand of plant products.

Segment information – Period ended 27 December 2020

	Australia $	China $	Total $
Segment revenue			
Sales to customers			
- Flowers	109,365,123	8,691,804	
- Plants	28,265,731	-	
Total segment revenue	137,630,854	8,691,804	146,322,658
Intersegment eliminations			(7,904,669)
Total revenue			138,417,989
Segment EBITDA	18,063,677	2,399,710	20,463,387
	18,063,677	2,399,710(i)	20,463,387
Total EBITDA			
Depreciation and amortisation	4,289,332	881,383	5,170,715
Finance costs	1,936,475	170,445	2,106,920
Profit before income tax expense			
Income tax expense	4,015,440	34,067	4,049,507
Profit after income tax expense			9,136,245
Assets			
Segment assets	199,494,204	40,432,953(ii)	239,927,157
Intersegment eliminations			(6,076,490)
Total assets			233,850,667
Liabilities			
Segment liabilities	131,370,607	28,751,628	160,122,235
Intersegment eliminations			(5,166,490)
Total liabilities			154,955,745
Acquisition of non-current assets	459,008	2,870,892	3,329,900
			3,329,900

(i) Includes the equity accounted share of profit in associate totalling $901,577 (Half year 2019: $498,133).
(ii) Includes the equity accounted investment in associate totalling $11,318,234 (28 June 2020: $10,416,657).

3. Segment information (continued)

Segment information – Period ended 29 December 2019

	Australia $	China $	Total $
Segment revenue			
Sales to external customers			
- Flowers	90,350,169	8,399,112	
- Plants	22,966,010	-	
Total segment revenue	113,316,179	8,399,112	121,715,291
Intersegment eliminations			(7,428,185)
Total revenue			114,287,106
Segment EBITDA	6,441,373	2,119,652	8,561,025
Total EBITDA	6,441,373	2,119,652	8,561,025
Depreciation and amortisation	4,327,874	671,892	4,999,766
Finance costs	2,458,097	180,030	2,638,127
	(344,598)	1,267,730	923,132
Profit before income tax expense			
Income tax expense	82,956	145,504	228,460
Profit after income tax expense			694,672
Assets			
Segment assets	187,584,470	38,708,570(ii)	226,293,040
Intersegment eliminations			(7,391,467)
Total assets			218,901,573
Liabilities			
Segment liabilities	126,105,181	29,592,043	155,697,224
Intersegment eliminations			(7,391,467)
Total liabilities			148,305,757

Intersegment transactions

Intersegment transactions were made at market rates. The Australia operating segment purchases floral and other products from the China operating segment. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Accounting policies adopted- refer Note 2.

Major customers

During the half year ended 27 December 2020 approximately 87% (2019: 85%) of the Group's external revenue was derived from sales to major supermarkets in Australia including Coles, Woolworths and ALDI.

Notes to the financial statements
for the half year ended 27 December 2020

4. Other income

	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Fair value adjustment to biological assets	3,750,121	3,725,566
Jobkeeper income	3,154,673	-
	6,904,794	3,725,566

During the current period associated with the COVID-19 pandemic, the Group has received $3,154,673 JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as 'other income' over the periods in which the related employee benefits are recognised as an expense. The Group is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid. These payments ceased effective in 30 September 2020.

5. Profit for the period

Profit/(loss) for the period includes the following items:	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Fair value loss on forward exchange contracts	-	228,039
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	1,194,320	1,117,058
Depreciation of right-of-use assets	1,458,589	1,328,285
Amortisation of intangible assets	2,517,806	2,554,423
	5,170,715	4,999,766
Occupancy expenses		
Short term lease payments	299,130	418,068
Variable lease payments	498,991	883,985
	798,121	1,302,053
Employee benefits expenses		
Defined contribution expenses	1,045,611	1,137,558
Share-based payments	153,900	106,797
Other employee benefits expenses	16,755,122	16,001,965
	17,954,633	17,246,320
Finance costs		
Interest and finance charges – banks and others	1,568,221	2,054,786
Interest on lease liabilities	538,699	583,341
	2,106,920	2,638,127

6. Trade and other receivables

Current	27 Dec 2020 $	28 June 2020 $
Trade receivables and other receivables	25,931,999	18,529,839
Provision for expected credit losses	(1,042,420)	(826,777)
	24,889,579	17,703,062

Notes to the financial statements
for the half year ended 27 December 2020

7. Inventories

	27 Dec 2020 $	28 June 2020 $
Raw and packaging materials – at cost	9,187,938	8,588,489
Finished goods – at cost	574,386	1,833,913
Obsolescence provision	(1,108,548)	(318,000)
	8,653,776	10,104,402

8. Biological assets

	27 Dec 2020 $	28 June 2020 $
	3,331,619	2,578,120
At fair value	3,331,619	2,578,120

Movement reconciliation

	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Carrying amount at start of the period	2,578,120	3,022,330
Fair value increase	3,750,121	3,725,566
Increase due to purchases	13,690,436	10,920,254
Decrease due to harvest	(16,687,058)	(15,090,030)
Carrying amount at end of the period	3,331,619	2,578,120

The Group's biological assets include predominately flowers and plants, whose cultivation reflects an approximate 4-6 week life cycle. Fair value at balance date reflects costs incurred and a fair value adjustment which includes estimates relating to stage of maturity, forecast market selling prices and estimated selling costs. Costs include premature plant/seedling acquisition costs and cultivation costs comprising mainly fertilisers, pesticides and associated labour costs. As of 27 Dec 2020, the estimates of production of the biological assets are 1,202k stems of flowers with fair value of AUD 375,926 and 1,062k units of plants with fair value of AUD 2,955,693. During the half-year ended 27 Dec 2020, the Group harvested approximately 14.45 million stems (half year 2019: 10.06 million stems) of flowers and 671k units (half year 2019:344k units) of potted plants.

9. Investment in associate

	27 Dec 2020 $	28 June 2020 $
Investment in associate at cost - Van den Berg Asia Holdings Limited	10,416,657	9,723,881
Share of profit for the period	901,577	692,776
	11,318,234	10,416,657

Acquisition of interest in associate – Comparative period

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.

Notes to the financial statements
for the half year ended 27 December 2020

10. Property, plant and equipment

Net book value (cost, less accumulated impairment and depreciation)		**27 Dec 2020 $**	**28 June 2020 $**
Nature of asset	*Useful life*		
Leasehold land	16-18 years straight	694,351	638,453
Leasehold improvements	3-18 years straight	4,922,621	5,102,751
Plant and equipment	3-20 years straight	17,875,919	14,810,061
Motor vehicles	3-5 years straight	697,533	760,543
Bearer plants	5 - 7 years straight line	861,663	1,023,320
Construction in progress		329,658	1,368,850
		25,381,745	23,703,978

11. Right of use assets and leases

Net book value (cost, less accumulated impairment and amortisation)	**27 Dec 2020 $**	**28 June 2020 $**
Nature of asset		
Land and buildings	19,818,548	19,576,194
Motor vehicles	205,590	229,351
Property and equipment	128,873	180,260
	20,153,011	19,985,805

Lease liabilities	**27 Dec 2020 $**	**28 June 2020 $**
Current liability	3,266,395	3,533,877
Non-current liability	19,524,836	19,350,342
	22,791,231	22,884,219

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between 4 to 18 years with, in some cases, options to extend. All options to extend have been assessed as being reasonably certain at inception date. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between 4 to 5 years and office equipment and motor vehicles under agreements of between 2 to 5 years respectively.

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

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

	< 1 year or less $	**1-2 years $**	**2-5 years $**	**5 years + $**	**Total $**
Lease liabilities	4,079,307	4,103,130	10,093,550	10,378,864	28,654,851
	4,079,307	4,103,130	10,093,550	10,378,864	28,654,851

Notes to the financial statements
for the half year ended 27 December 2020

12. Goodwill and other intangible assets

Net book value (cost, less accumulated impairment and amortisation)		27 Dec 2020 $	28 June 2020 $
Nature of asset	*Useful life*		
Goodwill	Indefinite	84,674,087	84,674,087
Brands	Indefinite	10,870,000	10,870,000
Databases	5 years	-	439,267
Computer software	2.5 years	729,376	908,353
Customer relationships	10 years	19,264,912	21,080,311
		115,538,375	117,972,018

Business combinations – Comparative period

On 4 July 2019, the Group acquired the business of Australiawide Flowers Pty Limited, an Australian based entity, whose principal activity is the wholesale of flowers and plants, for a total consideration transferred of $677,000. Goodwill arising from the acquisition was nil.

The net cash outflow in acquisition (consideration transferred net of cash acquired) was $339,000, with $338,000 recognised as deferred consideration. Acquisition costs expensed to profit totalled $79,000.

Allocation of indefinite life intangible assets to cash generating units

Allocation of goodwill to cash generating units	27 Dec 2020 $	28 June 2020 $
Australia	84,674,087	84,674,087
China	-	-
	84,674,087	84,674,087

Allocation of brands to cash generating units	27 Dec 2020 $	28 June 2020 $
Australia	10,870,000	10,870,000
China	-	-
	10,870,000	10,870,000

Impairment testing: Australia

As at 28 June 2020 financial year end, the directors assessed the recoverable amount of goodwill and other intangible assets allocated to the Australia cash generating unit and determined that there was no impairment. The recoverable amount of goodwill and other intangible assets was determined as at 28 June 2020 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), which was extrapolated over a 5 year period and into perpetuity using a growth rate of 2% (30 June 2019: 2%). The net cash flows were then discounted using a post-tax cost of capital rate of 10% (30 June 2019: 10%).

As at 27 December 2020, no indicators of impairment were identified, hence no further impairment testing was required.

13. Trade and other payables

	27 Dec 2020 $	28 June 2020 $
Trade payables	30,146,789	23,245,656
Foreign exchange contracts at fair value	1,362,030	716,153
Accruals	15,489,748	12,718,328
	46,998,567	36,680,137

14. Borrowings

	27 Dec 2020 $	28 June 2020 $
Current		
Secured – at amortised cost		
Bank loans – term and multi-option facility	5,000,000	7,500,000
Bank loans – commercial bills	54,586,699	2,769,157
	59,586,699	10,269,157
Unsecured-at amortised cost		
Vendor finance loans arising on business /asset acquisitions	275,000	275,000
Total current borrowings	59,861,699	10,544,157
Non-current		
Secured – at amortised cost		
Bank loans – term and multi-option facility	-	52,136,092
Unsecured-at amortised cost		
Shareholders loan principal plus interest	11,376,481	11,135,191
Vendor finance loans arising on business /asset acquisitions	1,367,883	1,367,000
Total non-current borrowings	12,744,364	64,638,283
Total borrowings	72,606,063	75,182,440

Collateral held as security

(a) The Bank of China loan of $2,205,574 is secured by a first charge over the property, plant and equipment owned by Lynch Agriculture Pty Ltd and Lynch Horticulture Pty Ltd.

(b) The Commonwealth Bank of Australia term and bullet term loans are secured by a first charge over all Group's assets and undertakings.

Financing facilities	**Drawn $**	**Unused $**	**Total $**
Commonwealth Bank of Australia			
Term facility	5,000,000	-	5,000,000
Bullet term loan facility	51,900,000	-	51,900,000
Multi option facility [1]	-	6,000,000	6,000,000
Bank of China			
Commercial bill facility	2,205,574	-	2,205,574
	59,105,574	6,000,000	65,105,574

15. Fair value measurement

Fair value hierarchy

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

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

Consolidated 27 Dec 2020	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Biological assets	-	-	3,331,619	3,331,619
Total assets	-	-	3,331,619	3,331,619
Liabilities				
Derivatives - forward foreign exchange contracts	-	1,362,030	-	1,362,030
Total liabilities	-	1,362,030	-	1,362,030

Consolidated 29 Dec 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Biological assets	-	-	2,578,120	2,578,120
Total assets	-	-	2,578,120	2,578,120
Liabilities				
Derivatives - forward foreign exchange contracts	-	716,153	-	716,153
Total liabilities	-	716,153	-	716,153

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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

The fair value of financial instruments that are not traded in an active market (such as forward exchange contracts) is determined using prices that are derived from broker reports.

Biological assets have been valued with key inputs underlying fair value including estimates in respect of stage of maturity, harvest yields ,harvest costs, and anticipated sales prices and associated selling costs.

16. Deferred tax

	27 Dec 2020	28 Jun 2020
Deferred tax assets	$	$
Lease liabilities	6,703,398	6,735,331
Employee benefits	2,278,031	2,068,087
Doubtful debts	312,726	174,833
Trade and other payables	2,381,392	1,044,973
	11,675,547	10,023,224
Deferred tax liabilities		
Intangible assets	9,040,473	9,716,873
Right of use assets	6,112,252	5,995,742
Inventories	117,715	259,757
Property, plant and equipment	10,899	42,749
Trade and other payables	-	311,460
Other	-	227,873
	15,281,339	16,554,454
Net deferred tax liability	3,605,792	6,531,230

17. Issued capital

	Half year 27 Dec 2020 No.	Half year 29 Dec 2019 No.	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Ordinary shares	66,657,600	66,657,600	66,737,600	66,737,600
Management shares	1,274,652	1,274,652	810,000	810,000
Less: Treasury shares	-	-	(810,000)	(810,000)
	67,850,252	67,850,252	66,737,600	66,737,600

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Management shares

Management shares are issued under a share-based employee incentive plan, and are subject to a limited recourse loan provided by the Company. The shares have no voting rights, participate in any dividends and are convertible to ordinary shares on meeting specified vesting conditions, including continuous service until an ‘exit event’ occurs. The conversion ratio is also based on the Group meeting specified performance conditions. The limited recourse loan funds are treated as treasury shares deducted in equity against the shares to which they have recourse.

The Group has a share option scheme under which options to subscribe for the Group’s ordinary shares have been granted to certain senior executives.

18. Earnings per share (EPS)

	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Profit after tax attributable to owners of the Company	9,136,245	694,672
	Number	**Number**
Weighted average number of Ordinary shares – Basic EPS	66,657,600	66,657,600
Weighted average number of shares – Diluted EPS	66,657,600	66,657,600
	Cents	**Cents**
Basic earnings per share	13.70	1.04
Diluted earnings per share	13.70	1.04

As at 27 December 2020, there were no options and management shares over ordinary shares excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive.

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lynch Group Holdco Pty Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

19. Related party transactions

Parent entity and subsidiaries
The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 2:

Name	Country of incorporation	27 December 2020	29 December 2019
Parent entity			
Lynch Group Holdco Pty Limited (i), (iii), (iv)	Australia		
Subsidiaries			
Lynch Group Bidco Pty Limited (ii), (iii), (iv)	Australia	100%	100%
Lynch Group Holdings Pty Limited (ii), (iii), (iv)	Australia	100%	100%
Lynch Fresh Holdings Pty Limited (ii), (iii), (iv)	Australia	100%	100%
The Lynch Group of Companies Pty Limited (ii) (iii)	Australia	100%	100%
Lynch China Pty Limited (ii), (iii), (iv)	Australia	100%	100%
Lynch Fresh Pty Limited (ii), (iii), (iv)	Australia	100%	100%
Lynch Group Australia Pty Limited (ii), (iii), (iv)	Australia	100%	100%
Lynch Flowers Victoria Pty Ltd (ii), (iii)	Australia	100%	100%
Leo Lynch & Sons (Qld) Pty. Limited (ii), (iii)	Australia	100%	100%
Lynch Flowers (W.A.) Pty Ltd (ii), (iii)	Australia	100%	100%
Exauflor Pty Ltd (ii), (iii)	Australia	100%	100%
Gladlands Flowers Pty Limited (ii), (iii), (iv)	Australia	100%	100%
Pine Valley (Qld) Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Australiawide Flowers Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Lynch Administration Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Lynch Manufacturing Group Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Lynch Manufacturing NSW Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Lynch Manufacturing Qld Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Lynch Manufacturing Victoria Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Lynch Manufacturing W.A. Pty Ltd (ii), (iii), (iv)	Australia	100%	100%
Lynch China (HK) Ltd	Hong Kong	100%	100%
Lynch Trading (Yunnan) Company Limited	China	100%	100%
Yunnan Lynch Horticulture Company Limited	China	100%	100%
Yunnan Lynch Agriculture Company Limited	China	100%	100%
Lynch (Shanghai) Trading	China	100%	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 deed on 20 May 2020.

(iv) These companies act as grantors under the secured borrowing facility (note 14).

19. Related party transactions (continued)

Associates
Interests in associates are set out in note 9.

Transactions with related parties
The following transactions occurred with related parties:

	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Sale of goods and services		
Associate: VdB Trading Co., Ltd	432,553	-
Payments for goods, services and other expenses		
Associate: VdB Horticulture Co., Ltd		172,666

	27 Dec 2020 $	28 June 2020 $
Receivable from related parties		
Associate: VdB Trading Co., Ltd	92,581	-
Payables / borrowings with related parties		
Shareholder loans (i)	11,376,481	11,135,191
Associate: VdB Trading Co., Ltd		72,826

(i) Shareholder loans have a term of 10 years and accrue interest at 3.75% per annum plus the 90 day Australian Bank Bill Swap Reference Rate (Bid) administered by ASX benchmarks which is capitalised annually. The lender may not make any demands for the repayment of the principal sum or accrued interest prior to the term of 10 years. The Borrower may repay the loan and any accrued interest earlier than the term at its discretion. Total interests capitalised during the period amounted to $241,290 (2019: $l68,800).

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

20. Key management personnel disclosures

Compensation

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

	Half year 27 Dec 2020 $	Half year 29 Dec 2019 $
Short-term employee benefits	1,359,175	1,061,775
Post-employment benefits	63,859	71,751
Termination benefits	-	529,609
Share-based payments	91,682	44,529
	1,514,716	1,707,664

21. Contingent liabilities

Claims

A subsidiary of the Group (and other defendants) are party to a claim relating to a business acquisition which is alleged to have been made in contravention of the Corporations Act 2001. At this time, the claim seeks to recover from Lynch (and other defendants) amounts of approximately $3.5million.

In April 2020, an offer of settlement by the plaintiff was rejected by the Group (and other defendants) and as at this date the Group is continuing to vigorously defend the claim.

22. Subsequent events

There has not been any other matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.