

A close-up photograph of a chrysanthemum flower, showing the intricate details of its petals. The petals are a mix of vibrant pink and green, with some showing a gradient of colors. The background is a soft, out-of-focus blue.

# 20 24

## ANNUAL REPORT

LYNCH  
GROUP 



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# Welcome

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

In FY24, the Group continued to make strong progress in Australia offset by challenging economic conditions in China.

Australia achieved underlying revenue growth of 3%, with stable consumer demand for floral products set within the context of cautious consumer spending. Profit recovery initiatives across procurement, freight and labour, combined with the improvement in revenue, delivered a 50% improvement in EBITDA over the previous year.

China revenue declined impacted by lower domestic pricing with moderate volume growth from the maturation of previous greenhouse expansion. EBITDA was impacted by weak consumer demand combined with largely fixed costs. However, operational execution across growing, processing, sales and distribution was well managed.

## FY24 GROUP KEY DRIVERS

**FY24 Group revenue +1%**, and +2% excluding additional week in FY23

**FY24 Group EBITDA \$39.6m**, 7% down on FY23

**Australia underlying revenue growth of 3%**, with stable consumer demand for floral products set within the context of cautious consumer spending

**Australia EBITDA \$31.0m at 9.4% margin**, 50% improvement on FY23 with continuation of profit recovery initiatives across procurement, freight and labour

**China revenue decline of 12%**, reflecting a mix of lower domestic and export pricing, on higher volumes with consumer demand remaining subdued for floral

**China EBITDA \$8.6m at 10.1% margin**, 61% down on FY23 with weaker domestic pricing impacting margin

**China operational execution** across growing, processing, sales and distribution remains well managed, delivering volume lifts

**Non-cash impairment charge against China goodwill of \$30.1m realised in 1H FY24**, the Group's positive medium to long term outlook for the floral market in China, and commitment to the China market remains unchanged, no further impairment required at year end

Revenue (AUD \$m)

**\$398m**



**1.6% up on FY23 on a like for like 52-week basis, 0.6% up on FY23 on a statutory basis**

Underlying EBITDA (AUD \$m)

**\$40m**



**7.3% down on FY23**

Underlying NPATA (AUD \$m)

**\$9m**



**41.5% down on FY23**





## AUSTRALIA

### Revenue growth maintained, continued recovery in margin

**Supermarket penetration** of floral market continues to increase

**Underlying revenue growth** of 3% underpinned by stable consumer demand for floral product within the context of cautious consumer spending and generally challenging economic conditions. Wholesaler and florist demand remains subdued

**Focus on cost reduction on key inputs** (freight, floral buying, labour) delivered a strong recovery in margin across the year. Further productivity related projects underway prior to year end with a focus on production efficiency and domestic freight savings

**Key customer events** (Valentine's Day and Mother's Day) successfully delivered in full with sell through ahead of expectations

**Moderating international freight rates** from key African, South American, and Asian markets across first half, and remained stable across balance of year

**Labour availability** remained stable

Revenue (AUD \$m)  
**\$330m**  3.0% up on a like for like 52-week basis, 1.8% up on a statutory basis

Underlying EBITDA (AUD \$m)  
**\$31m**  50.0% up on FY23



## CHINA

### Low consumer confidence affected domestic pricing across the year

**Revenue declined** 12% across the year impacted by low domestic pricing

**Production volume growth** moderated, aligned with active decision to limit greenhouse expansion works across FY24

**Demand for floral products remained soft**, with low levels of consumer confidence being influenced by current domestic economic headwinds. This was coupled with generally higher volumes of product available on market during the year

**Domestic pricing for key rose products** reduced c.18% during the year. Export pricing also reduced in line with freight reductions

**Operational execution** across growing, processing, sales and distribution remain well managed delivering volume lift with costs well controlled

**Successful commissioning of second in-market production facility in Guangzhou**, further developing customer channels in this large market

**Strengthening downstream distribution capabilities** from Kunming, Shanghai and now Guangzhou, and increasing production of value-added product lines remains a key strategic focus

Revenue (AUD \$m)  
**\$85m**  12.0% down on FY23

Underlying EBITDA (AUD \$m)  
**\$9m**  61.0% down on FY23

### Dear Shareholder,

FY23 witnessed the post COVID bounce back in Australia with normalising supply and logistics driving a recovery in margin. China had a much more volatile period having been through drastic social measures to contain the virus in the first half before these were suddenly abandoned in the second. The initial post lockdown spending burst petered out by June as macroeconomic factors became a drag on earnings in China.

FY24 was, in large measure, a continuation of these factors. Australia continued to experience a normalisation of both product availability and supply costs. Air freight remains elevated compared to pre COVID levels, but other measures have seen nearly a full restoration of margin. Our supermarket customers continued to grow their overall market share proving the resilience of the both the product and the channel. End customer confidence in product quality when married with the convenience and value offered by the supermarket channel is likely to drive penetration rates closer to overseas comparisons. The Group also supplies the florist and general wholesale channel which has suffered more from the slowing of consumer spend.

China has not recovered from the economic headwinds evident late in FY23. Whilst the property crisis has likely bottomed, a continued lack of consumer confidence and demand (i.e.

increased savings rate, higher youth unemployment etc.) persists. The government continues to search for means to stimulate demand and recognises that increased domestic consumption is needed to rebalance the economy. No tangible progress however is evident.

### Australian operations

The core of the Australian business is the national supply of floral and potted product to our supermarket customers. Whilst the Group has been supplying the Australian supermarket channel for over 30 years, the supermarket floral category continues to have significant long term growth potential. In the UK for instance, more than 50% of all floral products are sold through supermarkets. In Australia, that share has grown from 19% to more than 28% over the last 5 years, as the quality and value proposition of supermarket floral products has resonated with customers, and as value added bouquets, arrangements and potted products continue to drive gifting demand, particularly during key events. Our scale, innovation, worldwide sourcing capability and continued investment in our instore merchandising teams, have greatly changed the perception of supermarket flowers, providing key support to our supermarket customers as they drive increasing share of the overall floral industry.







**Whilst the Group has been supplying the Australian supermarket channel for over 30 years, the supermarket floral category continues to have significant long term growth potential.**

The Group continued to optimise its merchandising system, to further improve merchandiser productivity and allow the business to capture increased sales opportunities whilst minimising in-store waste. The Group, with one of the largest independent merchandising teams in Australia, derives approximately 40% of its sales from Sale or Return (SOR) stores where the Group heavily influences in-store range, volumes and presentation, in conjunction with our supermarket customers. Like prior years, growth in SOR store revenue was ahead of core store growth (where ordering and display are managed internally by the supermarket customer) for the year.

The value the Group brings to its supermarket customers is our ability to plan and manage a complex category. We trade in a highly perishable seasonal product that is sourced from Tier 1 growers in Australia and from around the world. Growing conditions can often vary season to season and supply chains are prone to disruption. The Group continues to focus on increasing sea freight as an alternative to air where quality can be maintained. This has the potential to make a material difference to the landed cost of product as well as reducing our carbon emissions.

Our in-house quality team works closely with Australian Biosecurity to ensure that imported product is effectively treated and screened to protect Australia from damaging pests and disease. We work actively with government authorities in each of our major countries of origin to achieve world's best practice in bio-security process design and execution, minimising rejection rates in Australia and building confidence in the quality of imported product.

The Group is the largest importer of floral product into Australia. Our Markets sites distribute locally sourced products alongside imported lines to other wholesalers and florists. With our hub operations in Sydney, Brisbane, Adelaide and Perth, and two satellite sites in Newcastle and Canberra, our Markets operation leverages our procurement scale, and provides additional flexibility in how we manage product flow. Additionally, the Markets business provides important real time market intelligence on price and product availability which feeds back into our supermarkets business. We continue to look at opportunities to expand our Markets footprint.

For the year ended 30 June 2024, the Australian operations achieved Revenue of \$330m, 3% up on FY23, when adjusted



for an additional week of trading last year. FY24 EBITDA of \$31m, 50% up on the same period last year, reflecting ongoing margin recovery initiatives, and moderating international freight rates across the first half of the year.

### China operations

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

The Group's access to premium floral genetics, investment in advanced growing infrastructure and systems, and direct distribution via its own contracted cool chain logistics, provides year-round supply of a high quality and unique product range to Chinese retail and wholesale customers at competitive prices. Product is distributed across China through wholesalers, online and offline retailers, florists via our webshop, and a small but growing B2C business. Export markets include Australia, Japan and south-east Asia.

The poor trading conditions experienced towards the end of FY23 persisted throughout the whole of FY24. Sluggish economic conditions, impacted by the prolonged property downturn, higher unemployment levels for younger Chinese, and low levels of consumer confidence and spending, meant realised pricing remained weak and below last year's levels across the financial year. Given China is an emerging market for discretionary spending on the floral category, we see a different picture to the more mature market in Australia where the category has proven to be resilient up and down economic cycles.

China has been further complicated by the addition of new supply. In addition to the Group's own greenhouse expansion over the last three years a number of new large-scale projects have been established. We believe that we have a competitive advantage in growing and remain the lowest cost producer of scale. This means that we continue to generate positive cashflow from operations whilst many of our competitors will have significant cash deficits. Rose prices fell 18% on the prior year and 32% on FY22. The fixed cost nature of growing means the Group is well leveraged to the upside when prices recover. This is likely to happen from a combination of capacity withdrawal, increased penetration rate of floral products and a general improvement in consumer sentiment. In the meantime,

we have paused our growth capex until we see a sustained improvement in operating conditions.

We continue to value add our product to reduce the correlation with market pricing. This includes expanding the retail channel including SOR stores, increased production of bouquets in Shanghai and Guangzhou, and the establishment of an online B2C business "Farm Flowers". By expanding our distribution footprint beyond Kunming, Shanghai and Guangzhou we will support improved selling price and achieved margin.

Revenue of \$85m was 12% down on FY23, with EBITDA of \$9m down 61% on FY23, with weak pricing performance being the primary driver of this year's earnings decline. The FY24 farm development program takes our total greenhouse space in production to 84ha.

Included in this report is the Group's second annual sustainability report. It provides detailed insights into the Group's investment, activities and focus areas across our environmental, social and governance (ESG) initiatives. Across FY24, the Group's multidisciplinary sustainability team focussed on establishing visibility, baselines and processes around the six materiality pillars that underpin the Group's ESG platform. This enabled the commencement and significant progress across a number of key initiatives tied to our longer-term ESG roadmap. The health and safety of our people remains a key priority for the Group with investment made during the year in our WHS roadmap to continue to support and protect our people.

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

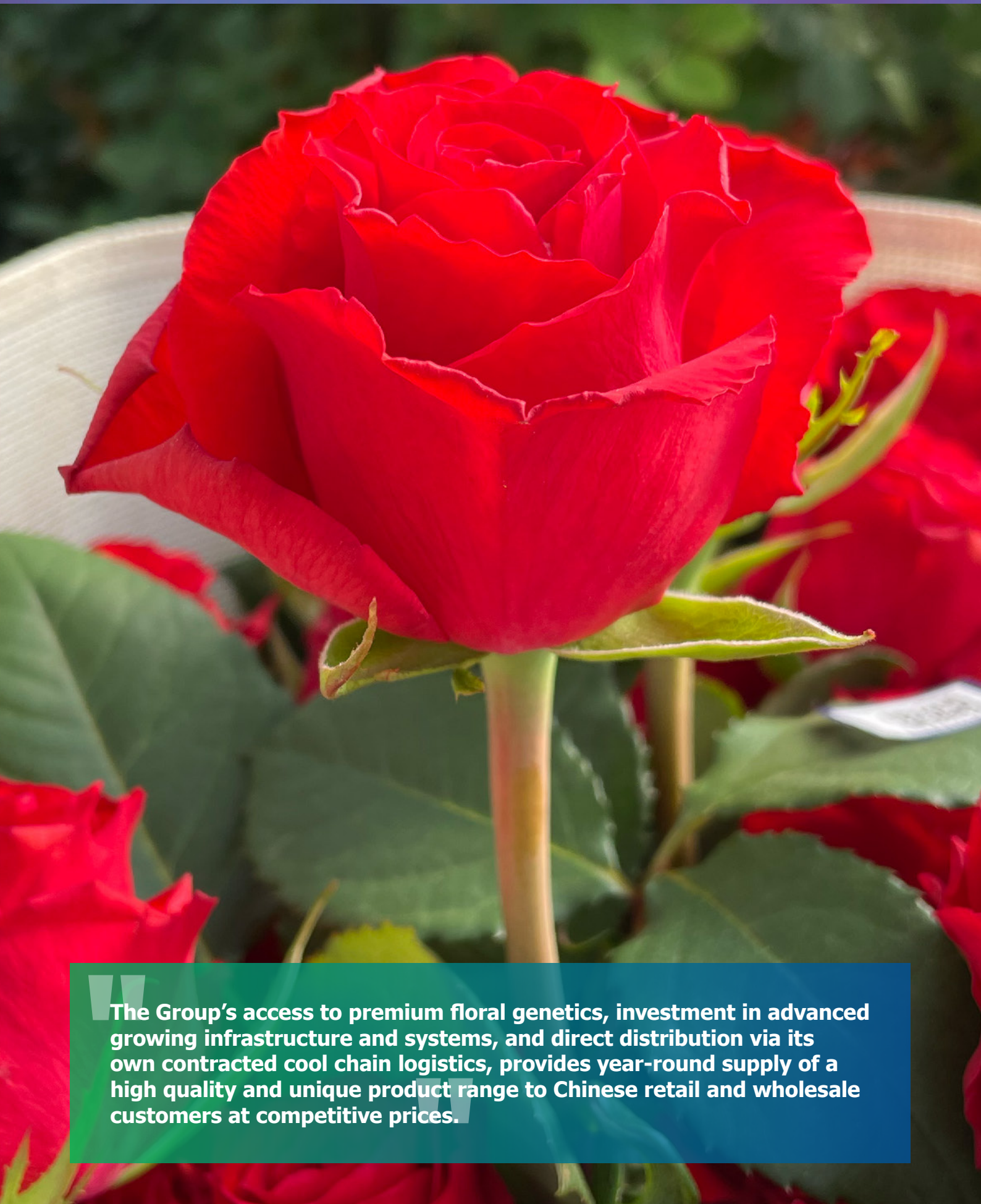


**Patrick Elliott**  
Chair and Non-Executive Director



**Hugh Toll**  
Chief Executive Officer  
and Managing Director





**The Group's access to premium floral genetics, investment in advanced growing infrastructure and systems, and direct distribution via its own contracted cool chain logistics, provides year-round supply of a high quality and unique product range to Chinese retail and wholesale customers at competitive prices.**

# DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial statements, of Lynch Group Holdings Limited (company) and its controlled entities (Group) for the financial year ended 30 June 2024. In order to comply with the provisions of the *Corporations Act 2001* (Cth), the Directors' report as follows:

## Reporting periods

The current reporting period is the financial year ended 30 June 2024. This is the 52-week period from 3 July 2023 to 30 June 2024 and is referred to as June 2024 throughout the Directors' report, consolidated financial statements and notes to the consolidated financial statements.

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

## Directors and Secretary

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



### **Patrick Elliott**

**Chair and Non-Executive Director**

**Period of service: 6 November 2015 – Current**

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

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

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

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





### **Peter Arkell**

**Independent Non-Executive Director**

**Period of service: 16 February 2021 – Current**

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

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

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

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

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

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



### **Peter Clare**

**Independent Non-Executive Director**

**Period of service: 16 February 2021 – Current**

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

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

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

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

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



### **Elizabeth Hallett**

**Independent Non-Executive Director**

**Period of service: 16 February 2021 – Current**

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

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

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

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

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



### **Hugh Toll**

**Chief Executive Officer and Managing Director**

**Period of service: 16 February 2021 – Current**

Hugh was appointed as Group Chief Executive Officer in 2019 and sits on the Board as the Managing Director. He joined the Group in 2017 as General Manager Business Development, before moving into the role of Group Chief Financial Officer in 2018. Hugh has a deep understanding of the operational, financial, and marketing functions of the Group and has overall responsibility for the Group's strategy.

Prior to joining the Group, Hugh had an extensive background in private equity investment, spanning 20 years, holding senior investment roles with Next Capital, Goldman Sachs Principal Investment Area, and Macquarie Direct Investment. He worked on the Next Capital deal team that acquired a controlling stake in the Group in 2015.

Hugh holds Bachelor and Master of Commerce degrees from the University of New South Wales and completed a Program for Executive Development at IMD International Institute for Management Development.



### **Steve Wood**

**Group Chief Financial Officer and Company Secretary**

**Period of service: 29 August 2019 – Current**

Steve is the Group Chief Financial Officer and Company Secretary, having joined the Group in 2018. Steve has overall responsibility for the Group finance, systems and risk functions as well as the formal role of Company Secretary.

Steve has held senior finance positions across multiple industries including retail, media, and manufacturing over the last 18 years. These include financial controller position at Network Ten (in its out of home media subsidiary) for over 6 years and at Toys R Us for over 5 years.

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

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



## Directors' meetings

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

	Board		Remuneration & Nomination		Audit & Risk	
	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>
Patrick Elliott	12	12	-	-	-	-
Peter Arkell	12	12	3	4	3	3
Peter Clare	11	12	4	4	3	3
Elizabeth Hallett	12	12	4	4	3	3
Hugh Toll	12	12	-	-	-	-

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

## Directors' interests in the company

	Fully paid ordinary shares			Share options		
	Direct	Indirect	Total	Direct	Indirect	Total
Patrick Elliott	-	600,699	600,699	-	-	-
Peter Arkell	16,666	-	16,666	-	-	-
Peter Clare	-	228,943	228,943	-	-	-
Elizabeth Hallett	27,777	-	27,777	-	-	-
Hugh Toll	639,999	-	639,999	1,865,445	-	1,865,445

## Share options

### Unissued ordinary shares under options

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

Number of unissued ordinary shares under option	Issue price	Expiry date of option
943,979	\$3.60	June 2027
3,044,456	\$2.24	June 2028
3,236,357	\$1.84	June 2029
4,965,424	\$1.41	June 2030

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

## Shares issued on exercise of options

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

### Sustainability reporting – Environmental, Social and Governance

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

The Group is committed to the transparent reporting of its environmental, social and governance impact and policies and has launched an in-depth sustainability report to accompany its annual report for the current reporting period.

### Diversity Policy

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

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

For the current reporting period, the Group set the target of a minimum composition for Board of Directors, Senior Management Team encompassing key decision makers and the workplace having regard to gender diversity of 40%. The results for the current reporting period are noted below:

Type	Target	Result
Board of Directors	Minimum composition of 40%	Not achieved – 80% male / 20% female
Key decision makers	Minimum composition of 40%	Achieved – 58% male / 42% female
Workplace	Minimum composition of 40%	Not achieved – 26% male / 74% female

For the reporting period ending June 2025, and future reporting periods, the Group has set the following measurable objectives:

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

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

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



## Corporate Governance Statement

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

## Principal activity

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

## Dividends

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

In respect of the financial year ended June 2024:

- a dividend of 8.0c per share (\$9.8m in total) franked to 100% at 30% corporate income tax was declared on 21 August 2024 and was paid to holders of ordinary shares of the company on 18 September 2024
- a dividend of 4.0c per share (\$4.9m in total) franked to 100% at 30% corporate income tax was declared on 21 February 2024 and was paid to holders of ordinary shares of the company on 20 March 2024

In respect of the financial year ended June 2023:

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

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



Group greenhouse facility – China

## OPERATING AND FINANCIAL REVIEW

The Board presents its operating and financial review for the financial year ended June 2024, which is intended to provide shareholders with an overview of the Group's operations, its financial performance and position and prospects for the future. This review is intended to complement the financial report.

### Review of operations

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

The results of the Group are disclosed in the financial statements. The loss for the year of the Group after providing for income tax amounted to \$26.1m (2023: profit of \$9.9m). The loss for the year included a non-cash impairment expense of \$30.1m. Excluding the impairment expense the loss for the year after providing for income tax amounted to \$4.1m.

### Trading performance

#### Australia

The Australia segment delivered strong EBITDA margin recovery within the context of a period of cautious consumer spending and generally challenging economic conditions. Revenue growth was achieved as consumer demand for floral products remained stable despite the wider economic environment. Investment in product innovation during the current financial year has delivered premium quality and on trend curated ranges which have been designed to offer value to consumers and to align with current consumer demands. The range changes have been supported by regular high quality in store merchandising. Strong performance in the sale or return network has also continued. Consumer perceptions of supermarket floral quality driven by the Group's strategy of product innovation and merchandising continue to deliver revenue growth.

Initiatives associated with collaborative planning of major events with key customers have generated internal costs efficiencies during the current reporting period. International freight rates, and comparable increases in local buying costs, have moderated from key African, South American and Asian markets. Contributions to margin recovery have also been experienced from improved labour availability reducing the requirement for material overtime during major events, with labour rate inflation continuing to reflect broader economic trends. Costs, including product cost, wages and freight remain subject to inflationary impacts with the full year effect of interest rates increases leading to higher financing costs during the reporting period.

#### China

The China segment has been impacted by decreases in domestic market pricing for the key lines of roses and tulips with pricing adversely affected by weak consumer confidence and economic conditions for discretionary items. Relative to the comparative reporting period, revenue has also been impacted by lower volumes of procured floral and other products exported to Australia. Some reductions in international freight between China and Australia have been achieved although reductions are generally lower than those achieved in other regions.

The lower domestic price for roses and tulips is the primary contributor to the reduction in EBITDA in the current reporting period. Operational execution across growing, processing, sales and distribution remain well managed delivering volume lift with costs well controlled. Higher than historical cost inflation remains evident particularly for labour and energy costs.

The economic conditions have resulted in a decline in profitability of the China segment and therefore an impairment assessment has been conducted which resulted in the recognition of an impairment of goodwill of \$30.1m.

During the current reporting period, a second in-market production facility in Guangzhou commenced operations. This facility is similar to the existing in-market production facility in Shanghai. These facilities have allowed for further expansion of customers across multiple sales channels to market.



## Funding

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

In Australia, the Group has a \$75.0m debt facility from the Commonwealth Bank of Australia available which expires in October 2026. At the balance sheet date \$50.0m was fully drawn, \$2.5m was utilised for bank guarantees and the remaining \$22.5m was undrawn.

In China, \$5.4m of debt from a combination of the Bank of China and Yunan Rural Credit Cooperatives was fully drawn at the balance sheet date.

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

## Principal risks

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

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

Risk	Description	Mitigation
<b>Macro-economic conditions (including consumer confidence and cost of living)</b>	<p>The Group is experiencing subdued consumer confidence in China with consumers widely reported to be spending less on discretionary items. Higher than historical levels of youth unemployment and uncertainty in the real estate sector are possible contributing factors.</p> <p>Consistent with many other businesses the Group continues to experience higher than normal historical inflation across many of its key cost lines (in particular, energy, raw materials cost, labour). A high inflationary environment may also affect consumer spending on discretionary items such as those offered by the Group. Continuing increases in costs at a rate faster than can be recovered through range and price management could have a material impact on the Group's financial performance.</p> <p>Based on commentary from the Reserve Bank of Australia, economic consensus, and central bank decisions overseas, it is possible interest rates could rise again in the coming year. Further increases, or a prolonged period of high interest rates could lead to depressed consumer buying and could have a material impact on the Group's revenue.</p> <p>In addition, the Group has external borrowings which attract variable interest repayments. A rise in interest rates would increase the interest payable on its borrowings.</p>	<p>The Group monitors its China revenue closely with detailed data on product type, sales channel, customer and pricing constantly analysed to ensure the Group maximises its sales opportunities. The Group is focused on ensuring it has the information to react efficiently to any changes to economic conditions.</p> <p>The Group receives timely and detailed analysis on sales of individual products from its team of in store merchandisers and from its customers. This frequent and timely information allows it to react quickly to any changes in consumer behaviour.</p> <p>The Group operates sophisticated internal modelling to review the margin of each of its product lines against internal targets. Where these are identified as not meeting required benchmarks, appropriate action is taken to adjust them. These changes can lag costs by 3-6 months.</p> <p>The specific impact of movement in interest rates are discussed further in the financial risk note in the consolidated financial statements. The impact of interest rates has also been considered when assessing discount rates used for valuing assets and impairment analysis.</p>

## Principal risks cont.

Risk	Description	Mitigation
<b>Workplace Health and safety</b>	<p>The nature of the business exposes the Group's employees to the risk of workplace accidents or injuries.</p> <p>The Group has a responsibility to its employees, and to the communities in which it is active in, to operate in a safe and responsible manner. Through its focus on safety, the Group strives to reduce the risk of workplace accidents and injuries occurring.</p> <p>The Group recognises that employees who feel safe at work are more likely to be productive and feel satisfied with their jobs leading to positive work environments across the various sites the Group operates across.</p>	<p>The health, safety and well-being (physical or psychological) of the Group's employees is fundamental to the success of the Group and as such the Group remains focused on ensuring a safe working environment for its employees across Australia and China.</p> <p>The Group strives to support and protect its people by investing in, deploying, and training in its Work Health and Safety Management System (WHSMS) which is compliant with ISO 45001.</p> <p>Moreover, the Group's dedicated safety team is focussed on implementing a range of activities designed to maintain or improve safety culture awareness, enhance safety reporting capabilities and implement injury management practices.</p>
<b>Market disruption</b>	<p>A material natural or man-made event could lead to unexpected, profound, or widespread changes to the business environment and could force significant transformation in the way the Group conducts its business. Impacts could include changed customer behaviour and buying patterns, logistics delays, increased freight costs and other supply chain disruptions.</p> <p>The Group could face difficulty in achieving business growth during and in the aftermath of a material market disruption event. This is particularly so given the Group's relatively complex and time critical supply chain.</p>	<p>Recent material market disruption events have left the Group well placed to anticipate and manage the impacts of a major market disruptive event.</p> <p>With regard to the Group's supply chain, international freight rates and local buying costs are key inputs in the margin performance of individual product lines and are assessed regularly, with action taken to adjust margins that do not meet required benchmarks. There can be a lag effect in adjusting ranges.</p> <p>The Group proactively monitors and recalibrates floral product volumes exported from the China business to the Australia business versus volumes sold in China's domestic market to optimise the Group financial performance.</p>
<b>Environmental risk (including climate-related risk)</b>	<p>Developing resilience to the impacts of climate change, most noticeably weather volatility and water security issues, presents the Group with an evolving set of operational risks.</p> <p>As nations, governments and businesses transition to low carbon economies, the Group expects to address associated risks to its business from changes in government policies, business processes, broader community expectations and the introduction of mandatory climate reporting.</p> <p>The Group's operations are subject to various environmental laws, regulations and customer and community standards. In the event the Group was held responsible for any environmental pollution, contamination or undue waste it may incur substantial costs including fines and remediation costs, its operations may be interrupted, and it may suffer reputational damage.</p>	<p>The Group published its inaugural sustainability report in FY23, a significant milestone towards the future reporting against mandatory climate standards. The Group intends to continue to voluntarily report its sustainability progress annually in anticipation of mandatory reporting standards in the future.</p> <p>Across the current financial year, the Group has expanded its environmental sustainability focus. The Group has continued to collate its scope 1 and scope 2 emissions as well as reporting on a range of other key environmental and other sustainability focussed initiatives that it has undertaken or launched during the year.</p> <p>Future phases of the Group's environmental roadmap are expected to focus on further data analysis that will contribute to it meeting mandatory climate reporting obligations as they are introduced.</p>



Risk	Description	Mitigation
<b>Ethical sourcing and trade</b>	<p>The Group sources products through a combination of its own farms in Australia and China as well as long-term relationships with leading, third-party growers in Australia and other key global floral growing regions such as Kenya, Ecuador, and Colombia and Vietnam.</p> <p>The Group requires its supply chain to adopt and reflect the highest standards of ethical conduct and activity.</p> <p>Failure of the Group's suppliers to comply with the Group's ethical sourcing policy could result in adverse safety or living conditions for supplier workers and could result in reputational or financial risk for the Group.</p>	<p>The Group's enhanced internal systems and procedures strive to support our continued ethical sourcing and management of other potential human rights risks including modern slavery.</p> <p>The Group is committed to acting fairly, reasonably, equitably, and cooperatively with suppliers and requires suppliers to maintain appropriate certifications and comply with applicable laws and regulations in their countries of operation.</p> <p>The Group has developed a series of due diligence activities to support its mitigation and management of risks associated with ethical sourcing and trade. This includes lodgement of an annual Modern Slavery Statement on the Australian Modern Slavery Statements register.</p>
<b>People capability and labour availability</b>	<p>The Group operates labour forces within its production facilities which are required to scale up during peak events and festival periods in both the Australia and China markets. These include Christmas, Valentine's Day, International Women's Day and Mother's Day.</p> <p>To facilitate this, the Group engages short term casual labour. A lack of suitable workforce could result in the Group being unable to fulfill its full production potential or require investment in material overtime for existing employees during the event and festival periods.</p>	<p>The Group has active programs in place for ongoing recruitment, development, and retention across its workforce. The Group continues to invest in its people offering competitive remuneration and benefits within a safe working environment.</p>
<b>Customer concentration risk</b>	<p>In Australia a substantial proportion of the Group's revenue is attributable to a small number of the major supermarkets, including Coles, Woolworths, and ALDI, who trade with the Group on a purchase order basis, with no guaranteed orders or certain volume.</p> <p>The Group relies on long-standing relationships with its customers to generate and secure ongoing revenue. If the relationship between the Group and any of these major customers deteriorates, or the Group is not able to maintain its competitive advantage as the major supplier of floral and plant products to Australian supermarkets, this may result in a material adverse impact on the Group's revenue and financial performance.</p>	<p>Whilst there are no fixed term contracts with these major customers, the Group has relied on its strong long term commercial relationships with these key customers (some of which have been the Group's customers for 30+ years), its competitive positioning, innovation and scale to generate ongoing revenue from these key customers.</p> <p>During the current reporting period the percentage of the Group's external revenue derived from sales to major supermarkets has increased slightly from the comparative year.</p>

## Principal risks cont.

Risk	Description	Mitigation
<b>Key suppliers and other strategic relationships</b>	<p>The Group relies on several key suppliers to provide high quality products to the Group. The terms of supply for these products are typically for a contracted duration of no more than one year or on a purchase order basis.</p> <p>The Group's ability to secure ongoing supplies on a timely basis depends on the strength of its relationships with its key suppliers and any deterioration could have material adverse effect on financial performance of the Group.</p>	<p>The Group has developed long-term, positive relationships with its key suppliers. It follows a diversified sourcing strategy across key floral regions including inhouse farms in China and Australia and a mix of local and overseas grower supply agreements.</p> <p>The Group remains active in exploring and developing relationships with new suppliers of high-quality product that it may not currently have a relationship with.</p>
<b>Geopolitical risks of operating in China</b>	<p>The Group operates and owns key assets in China, therefore is exposed to China's political, economic, and social landscape and the broader bilateral relationship between Australia and China. Any heightening of political and economic tensions in the bilateral relationship between Australia and China may impact the Group's operations including from government responses to these tensions.</p> <p>Specific impacts could include heightened regulatory burdens on foreign investment, restrictions on export activities, expropriation of real property assets, repudiation, renegotiation or nullification of existing agreements and leases, or restrictions on currency conversion and the repatriation of funds.</p>	<p>The Group has operated in China since 2004 and continues to actively invest in its operation in China.</p> <p>The Group believes it is the largest employer (by number of employees) in China for an Australian company with its China based employees almost exclusively all locally based.</p> <p>Although the Group cannot influence wider geopolitical issues, it strives to be a model corporate citizen with appropriate corporate governance.</p> <p>As an importer from China, the Group is less exposed to trade restrictions imposed by Chinese authorities.</p>
<b>Changes to Australia's quarantine and customs requirements</b>	<p>The Group is subject to Australia's strict biosecurity and quarantine requirements which apply to the importation of plant based products.</p> <p>The Australian Government may review and implement changes to the import conditions, customs requirements or quarantine controls following changes to local circumstances (including environmental factors) or based on new scientific evidence.</p> <p>Any significant alteration of the import requirements in respect of plant based products could either restrict or prevent the Group's importation of its floral and plant products into Australia.</p>	<p>The Group has developed a highly diversified supply chain both in Australia and internationally. It actively monitors supplier volumes to ensure it does not become overly reliant on any one supplier.</p> <p>The Group has an inhouse quality team supported by a highly experienced, biosecurity expert. This team works proactively with the Australian Government to ensure ongoing compliance with all biosecurity regulations.</p>



Risk	Description	Mitigation
<b>Foreign currency exposure</b>	<p>Some products sourced by the Group are purchased directly in foreign currency and accordingly the Group is exposed to the foreign exchange rate movements, particularly the AUD / CNY and AUD / USD rate.</p> <p>Material movements in the foreign exchange rates can have a material adverse effect on the Group, including reduced consumer demand for products or increased costs to produce and distribute products.</p>	<p>The Group undertakes regular hedging of USD based on future expected purchases. The Group aims to hedge approximately 50% of expected USD based purchases approximately 6 months ahead.</p> <p>The specific impact of movement in the AUD / CNY are discussed further in the financial risk note in the consolidated financial statements.</p>
<b>Glyphosate</b>	<p>Glyphosate is a broad-spectrum systemic herbicide, which acts by inhibiting an enzyme found in plants. Glyphosate is a widely used product to kill weeds and grasses that compete with agricultural crops. While glyphosate has been approved by regulatory bodies worldwide, there have been concerns about its effect on humans and its links to causing cancer.</p> <p>The Group uses glyphosate as a herbicide at farms where the risk is relatively low and in accordance with label and local regulations. The Group also uses glyphosate as a mandatory treatment to render some specific flower varieties non-propagable in a process known as 'devitalisation', a treatment mandated by the Australian Government.</p> <p>There have been some successful and some pending litigations globally, including in Australia, claiming liability for cancer relating to the use of glyphosate. As such, there is a risk that the Group could be involved in future litigation regarding its use of glyphosate, which may have a material impact on the Group's financial position.</p>	<p>The Group is continuing to actively work with the Australian government to remove the requirement for the use of glyphosate.</p> <p>In the meantime, the Group mandates the use of protective equipment for employees who may come into contact with glyphosate.</p>
<b>Information technology and cyber security</b>	<p>The Group uses information technology systems throughout its operations. Key system unreliability, instability, or failure or deliberate or accidental compromise of the IT systems could impact the Group's efficiency or profitability or lead to reputational damage.</p>	<p>The Group maintains a specific focus on potential information technology and cyber security risks.</p> <p>The Group undertakes regular employee education as well as secure infrastructure housing, regular backups, and disaster recovery processes to secure its data and systems.</p> <p>The Group also engages independent security experts to review and identify potential security risks in its IT environment to enable remediation of any identified weaknesses.</p>

## Business strategies and prospects

### Australia

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

Strategic objective	Further detail
Enhance merchandising effectiveness to support like for like sales growth and profitability (lower waste) across customer store network	The depth of data from the Group's merchandising technology platform continues to improve with real time data and analytics now used to facilitate efficient decision making in relation to product range and volume. The Group plans to continue to analyse this data to ensure best possible decision making around range and operational efficiency to drive improved profitability
Investment in product innovation	The Group plans to continue its investment in product innovation with the objective of providing premium quality and on trend curated ranges designed to offer value to consumers and to align with consumer demands
Grow Sale or Return (SOR) store network and support more Core stores with merchandising	The Group plans to drive further sales growth by continuing to work with its customers to grow the SOR store network. Existing SOR stores generally over index Core stores as a result of the unique service model – tailored range, direct store delivery, dedicated merchandising. As SOR expands to new areas this will allow additional Core stores in the same areas to be considered for merchandising. The Group believes significant opportunities exist to further grow the SOR network
Deliver operational improvements focussed on product quality and speed to the consumer	Progress efficiency improvements across transport management and the modernisation of operations
Execute on new channel development initiatives	Further opportunities for expansion in the wholesale and florist channel (both greenfield and acquisition-based) continue to be actively considered along with developing a product offering for customers in the supermarket channel not currently serviced



Australian supermarket display





Group greenhouse facility – China

## China

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

Strategic objective	Further detail
Leverage Australian segment know-how to further develop vertically integrated floral supply model into China	The Group intends to continue strengthening its domestic China team's capabilities in product development and scaled value-added production capacity to support ongoing growth with its retail customers
Build retail channel partnerships	The Group has developed strong retail customer relationships. It plans to leverage the success of these existing retail partners into new customer acquisitions aided by its expansion of processing facilities in major consumer markets
Build processing facility network, replicating Shanghai and Guangzhou facilities into other major metropolitan consumer markets	The Group opened its second metropolitan city processing facility in Guangzhou during the current financial year. It is actively exploring further sites in other major metropolitan cities to support its existing Shanghai and Guangzhou sites with a view to adding one additional site within the next twelve months
Secure additional land for next growth phase of greenhouse expansion	Production greenhouse space recently developed continues to generate volumes exceeding internal targets. This continued track record provides confidence in new capital expenditure plans to further build operational capacity including exploring options for new sites to continue developing production greenhouse space as its existing sites near capacity



## Financial review

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

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

- The revenue of the Group was \$397.7m (2023: \$395.3m). The current reporting period includes 52 weeks (comparative reporting period 53 weeks). Excluding the effect of the additional week in the comparative reporting period the revenue of the Group would have been \$397.7m (2023: \$391.4m). There was no material impact on EBITDA<sup>1</sup>, (Loss)/profit of the Group or NPATA from the additional week of revenue
- The EBITDA<sup>1</sup> of the Group was \$39.6m (2023: \$42.3m)
- The Underlying EBITDA<sup>2</sup> of the Group was \$39.6m (2023: \$42.7m)
- The profit of the Group before impairment and income tax expense was \$8.5m (2023: \$13.3m)
- An impairment loss was recognised in relation to the China Group of cash-generating units of \$30.1m (2023: nil)
- The loss of the Group after providing for impairment and income tax amounted to \$26.1m (2023: profit of \$9.9m)
- The NPATA<sup>3</sup> of the Group was \$9.2m (2023: \$15.7m)
- The underlying earnings per share of the Group was 3.33 cents (2023: 8.14 cents)
- The earnings per share of the Group was a loss of 21.34 cents (2023: profit of 8.14 cents)
- The net tangible assets per share was 36.24 cents (2023: 38.90 cents)

A reconciliation between statutory and underlying reported key metrics is noted below:

EBITDA to NPATA reconciliation	Statutory \$'000	Non-cash impairment \$'000	Non-cash amortisation \$'000s	Underlying reported total \$'000
<b>EBITDA<sup>1</sup></b>	<b>39,619</b>	-	-	<b>39,619</b>
Depreciation and amortisation	(24,640)	-	-	(24,640)
Financing costs	(6,506)	-	-	(6,506)
Impairment of goodwill	(30,119)	30,119	-	-
Taxation	(4,406)	-	-	(4,406)
<b>(Loss)/profit of the Group</b>	<b>(26,052)</b>	<b>30,119</b>	-	<b>4,067</b>
Amortisation of acquired intangible assets (net of tax)	-	-	5,094	5,094
<b>NPATA<sup>3</sup></b>	<b>(26,052)</b>	<b>30,119</b>	<b>5,094</b>	<b>9,161</b>

Non-AASB financial measures include:

<sup>1</sup> EBITDA is Earnings before interest, tax, depreciation, amortisation and impairment

<sup>2</sup> Underlying EBITDA is Earnings before interest, tax, depreciation, amortisation and impairment adjusted for non-recurring costs

<sup>3</sup> NPATA is Net loss after tax adjusted for amortisation and non-recurring costs including impairment of goodwill

A reconciliation between statutory and underlying earnings per share is noted below:

<b>Earnings per share reconciliation</b>	<b>Statutory Cents</b>	<b>Non-cash impairment Cents</b>	<b>Underlying Cents</b>
Basic earnings per share	(21.34)	24.67	3.33
Diluted earnings per share	(21.34)	24.67	3.33

## Revenue

Underlying revenue increased by \$6.3m (1.6%) from \$391.4m in 2023 to \$397.7m in 2024. The current reporting period includes 52 weeks (comparative reporting period 53 weeks). Underlying revenue excludes the effect of the additional week in the comparative reporting period. On a statutory basis, revenue increased by \$2.4m (0.6%) from \$395.3m in 2023 to \$397.7m in 2024. The major components of the movement are:

### Australia – underlying growth of 3.0%

- Supermarket penetration of the floral market continues to increase
- Stable consumer demand for floral products within the context of cautious consumer spending and generally challenging economic conditions
- Investment in product innovation to deliver premium quality and on trend curated ranges designed to offer value to consumers and to align with consumer demands
- Ongoing product range optimisation supported by regular high quality in store merchandising
- Increased revenue from growth in Sale or Return store network
- The comparative reporting period includes 53 weeks (371 days) due to the Australian segment utilising a retail accounting calendar of 4-4-5 weeks per quarter. In a normal year, including the current reporting period, the retail calendar has 52 weeks (364 days). Revenue attributable to the additional week in the comparative reporting period is \$3.9m

### China – decline of 12.0%

- Decreases in pricing in domestic market for key lines of roses and tulips
- Demand for floral products remained soft, with low levels of consumer confidence influenced by domestic headwinds coupled with generally higher volumes of product available in market
- Decreases in export pricing for produced products due to reductions in international freight
- Lower volumes of procured products (floral and sundry items) for export to Australia
- Moderate uplift in volumes from increase in production capacity and yield from recently developed land delivering volume growth

### Intersegment eliminations – decline of 32.5%

- Intersegment eliminations reflect products exported from the China segment to the Australia segment and include products produced at the Group's farms in China as well as products purchased from parties external to the Group. Intersegment eliminations also include the associated freight costs to land the products in Australia
- Volumes of produced products have remained consistent with the comparative reporting period. Reductions in international freight costs between Australia and China have led to lower export prices
- Volumes of purchased products (floral and sundry items) have reduced relative to the comparative reporting period with reductions in international freight

## EBITDA

Underlying EBITDA decreased by \$3.1m (7.3%) from \$42.7m in 2023 to \$39.6m in 2024. In the comparative reporting period underlying EBITDA includes \$0.4m non-recurring costs in relation to the Group's NSW site relocation. There are no adjustments to underlying EBITDA in the current reporting period. EBITDA, excluding underlying adjustments in the comparative reporting period, declined by \$2.7m (6.4%) from \$42.3m in 2023 to \$39.6m in 2024.

A reconciliation between Statutory (loss)/profit before tax to EBITDA and Underlying EBITDA is noted below:

	June 2024 \$'000s	June 2023 \$'000s
<b>Statutory (loss)/profit before tax</b>	<b>(21,646)</b>	<b>13,276</b>
Depreciation and amortisation	24,640	23,260
Financing costs	6,506	5,774
Impairment expense	30,119	-
<b>EBITDA</b>	<b>39,619</b>	<b>42,310</b>
Underlying adjustments	-	418
<b>Underlying EBITDA</b>	<b>39,619</b>	<b>42,728</b>

The major components of the movement are:

### Australia – underlying increase of 50.0%

- Underlying revenue growth of 3.0% underpinned by stable consumer demand for floral product within the context of cautious consumer spending and generally challenging economic conditions with wholesaler and florist demand remaining subdued
- A focus on cost reductions on key inputs (freight, floral buying, labour) delivered a strong recovery in margin across the year with further productivity related projects underway with a focus on production efficiency and domestic freight savings
- Key customer events (Valentine's Day and Mother's Day) were successfully delivered in full with sell through ahead of expectations
- Moderating international freight rates from key African, South American, and Asian markets across the first half of the year remained stable across balance of year
- Labour availability remained stable
- Cost inflation generally, including product cost, wages, and freight rates reflecting broader economic conditions

### China – decline of 60.9%

- Revenue declines from decreases in achieved prices of key product lines in domestic market
- Production volume growth moderated, aligned with active decision to limit greenhouse expansion works across the year
- Domestic pricing for key rose products reduced during the year. Export pricing also reduced in line with freight reductions
- Operational execution across growing, processing, sales and distribution remain well managed delivering volume lift with costs well controlled
- Successful commissioning of second in-market production facility in Guangzhou, further developing customer channels in this large market
- Strengthening downstream distribution capabilities from Kunming, Shanghai and now Guangzhou, and increasing production of value-added product lines remains a key strategic focus



## Impairment of goodwill

At the balance date, determining whether goodwill and other intangible assets are impaired requires an assessment as to the existence of any indicators of impairment, and if such indicators exist, to then undertake a formal impairment assessment which involves an estimation of the higher of 'fair value less cost of disposal' and 'value in use' of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Goodwill and indefinite life intangible assets must be assessed for impairment annually, regardless of impairment indicators.

Deteriorating levels of consumer confidence in China during the financial year have impacted demand for and pricing of the Group's products in the China domestic market. Consumer confidence and spending in the China market remain weak for discretionary items. These conditions have resulted in a decline in profitability of the China Group of cash-generating units (China Group of CGUs).

The Group remain confident in the recovery of pricing and optimistic in the long-term opportunity and profitability of the China market and have prepared a value-in-use model which reflects a recovery in pricing throughout FY25-FY27 followed by consistent growth assumptions to the end of a 5-year discrete period. A terminal value is then determined based on an extrapolation of cash flows beyond the 5-year discrete period using a terminal growth rate which does not exceed the long-term inflation rate. Due to the increased uncertainty with respect to the challenging economic conditions expected in China for the next twelve months and beyond, along with a softening in pricing resulting from these conditions, the rate used to discount the cash flows has included an additional premium to reflect the elevated risk.

At the half year balance date, the Directors identified that there were indicators of impairment and conducted impairment testing at 31 December 2023. As a result of the impairment assessment, the Directors considered it appropriate to recognise an impairment of goodwill of \$30.1m in the China Group of CGUs. At the balance date, the Directors assessed and updated the recoverable amount, and the basis of preparation of the cash flow projections, growth rates and post-tax discount rates, of the China Group of CGUs and determined there was no further impairment.

The Directors remain confident in the medium to long term outlook for the floral market in China.



Group greenhouse facility – China

## Profit for the year

On a statutory basis, (loss)/profit for the year decreased by \$36.0m (362.1%) from a profit of \$9.9m in 2023 to a loss of \$26.1m in 2024. The current reporting period includes an impairment expense of \$30.1m (2023: nil). The current and comparative reporting periods both include an adjustment in relation to the amortisation of acquired intangible assets of \$5.1m. NPATA in the comparative reporting period includes underlying adjustments in relation to the NSW site relocation of \$0.6m. NPATA declined by \$6.5m (41.5%) from \$15.7m in 2023 to \$9.2m in 2024.

A reconciliation between Statutory (loss)/profit for the year to NPATA is noted below:

	June 2024 \$'000s	June 2023 \$'000s
<b>Statutory (loss)/profit for the year</b>	<b>(26,052)</b>	<b>9,940</b>
Impairment expense	30,119	-
Amortisation of acquired intangible assets	5,094	5,127
Underlying adjustments	-	590
<b>NPATA</b>	<b>9,161</b>	<b>15,657</b>

The major components of the movement are:

- Revenue and EBITDA factors as noted above
- Increase in depreciation predominately from capital invested in China growth assets to develop productive land and deprecation from right-of-use assets from the full year effect of the Group's NSW facility in the current reporting period
- Increase in financing costs from full year effect of higher interest costs associated with the \$50.0m drawn borrowing facility in Australia and increased right-of-use interest predominately from the full year effect of the Group's NSW facility in the current reporting period
- Tax effect of all above items, including the higher effective tax rate in Australia relative to China

## Consolidated Statement of Financial Position

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

- Cash and cash equivalents decreased by \$4.1m (11.2%) from \$36.4m in 2023 to \$32.3m in 2024 as a result of factors noted in relation to the Consolidated Statement of Cash Flows below
- Inventories decreased by \$2.7m (20.7%) from \$13.3m in 2023 to \$10.5m in 2024 following executed plans to reduce holdings of non-perishable inventories during the current reporting period
- Other assets, including current tax assets, increased by \$1.5m (31.2%) from \$4.7m in 2023 to \$6.2m in 2024 largely from prepayments made towards an expanded 2025 tulip program in China
- Intangible assets decreased by \$36.5m (19.1%) from \$191.0m in 2023 to \$154.6m in 2024 largely due to the \$30.1m impairment charge recognised against the goodwill of the China Group of CGUs. Ongoing amortisation of other intangible assets also contributed to the decrease
- Deferred tax liabilities decreased by \$1.7m (60.1%) from \$2.9m in 2023 to \$1.2m in 2024 with decreases relative to the comparative reporting period in intangibles and other provisions

## Consolidated Statement of Cash Flows

Cash and cash equivalents at the balance date decreased by \$4.1m (11.2%) from \$36.4m in 2023 to \$32.3m in 2024. Significant components of the cash flows during the year, include:

- Operating cash flows associated with the operating activities of the Group
- \$11.5m capital investment projects, with the largest components payments for land development in China
- \$13.4m from two dividends paid during the current reporting period. \$8.5m was declared as a final dividend for 2023 and paid in September 2023. \$4.9m was declared as an interim dividend declared for 2024 and paid in March 2024

## Significant changes in state of affairs

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

## Matters subsequent to the end of the financial year

### Dividends

In respect of the current reported period ended June 2024, the Directors have declared a final dividend of 8.0 cents per ordinary share which is fully franked. The record date of the dividend is 4 September 2024, and the dividend was paid on 18 September 2024.

### Economic environment

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

At the current time, in Australia the wider economy is experiencing a period of cautious consumer spending, high inflation and generally challenging economic conditions. A high inflationary environment may affect consumer spending on discretionary items such as those offered by the Group.

In China weak consumer confidence is impacting pricing of domestic product with average pricing down on comparative year levels. Prolonged weakness in this market could have a material impact on the Group's financial performance in 2025.

The Group notes macro-economic conditions (including consumer confidence and cost of living) is a key risk for the Group. The extent that any future impact from macro-economic conditions has on the Group's operational and financial performance will depend on certain developments, including the nature and duration of any disruptive events, any regulations imposed by governments and the impact on customers, employees, and the Group's supply chain, all of which are uncertain and cannot be predicted at this time. The Group may face difficulty in achieving business growth during and in the aftermath of any further deterioration in macro-economic conditions, particularly due to the Group's relatively complex and time critical supply chain.

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

### Other

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

## Likely developments

The Group expects to grow its present level of operations, both in Australia and China. In Australia, the Group intends to continue driving the penetration of the convenience purchase segment (including supermarkets) component of the overall floral market. In China, the Group remains confident in the medium to long term outlook for the floral market in China and intends to continue to serve new and existing customers.



# FLOURISH



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

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

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

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

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

The Group is proud to publish its FY24 **FLOURISH** Sustainability Report.

## Introduction

The second **FLOURISH** Sustainability Report includes several new ESG initiatives for the year and continues the Group's journey towards ESG maturity.

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

In 2022, the Group launched its ESG journey with a dedicated Sustainability team and a multifaceted ESG materiality assessment project guided by an external consultant. The outcome of this materiality assessment informed and underpinned a series of ESG research and data collection initiatives in FY23, culminating in publication of the Group's inaugural **FLOURISH** Sustainability Report.

In FY24, the Group continued its commitment and multidisciplinary approach to ESG by expanding its Sustainability team to include senior members of management from various business units and geographies. Some foundational achievements of this team include:

- agreement of the six material sustainable pillars that constitute the framework for the Group's longer-term ESG roadmap, namely:
  - Waste
  - Carbon emissions
  - Water
  - Packaging
  - Biodiversity
  - People and Community
- formalisation of the process to approve and fund proposed ESG projects and initiatives, including underlying due diligence requirements to support such proposals
- approval of the Group's public Sustainability policy

The Group proudly presents its second annual **FLOURISH** Sustainability Report.

## 2024 Sustainability Report Highlights



### Environment

The Group is proud to have entered two important floral, conservation-based partnerships with the Botanic Gardens of Sydney (BGS) and the Centre for Ecological Restoration in Kenya (CER-K).

The BGS is custodian of three botanic gardens in NSW (Royal Botanic Garden of Sydney, the Australian Botanic Garden Mount Annan, and the Blue Mountains Botanic Garden, Mt Tomah). The Group's support extends to the Garden's mission primarily to protect and preserve Australia's native flora through research, land and habitat restoration.

The CER-K is a recently established, not-for-profit organisation in Kenya that has a core mission of restoring biodiverse ecosystems by engaging people, sharing knowledge and conserving local native flora. Through the conservation, protection and restoration of local lands through local solutions, the CER-K provides significant benefits to the Kenyan ecology and community. The Group looks forward to the task of continuing to build a lasting and significant relationship with the people and community of Kenya.

Recognising that a material contributor to the Group's Scope 3 emissions is flower-laden airfreight bound for Australia, the Group is investing in and has commissioned primary research and trials to examine the feasibility of enhanced sea freight capabilities. It is hoped that outcomes of this important research will provide a basis for an effort to substitute significant volumes of airfreight into the lower emissions activity of sea freight.

For FY24, waste management stands as a foundation of the Group's sustainability efforts, reflecting its commitment to efficient resource utilisation and environmental stewardship. Moreover, waste is one of the most immediately visible and readily tangible and participatory sustainability elements. Encouraging high staff engagement in waste management has significant internal cultural impact and will provide a model for rollout to a broader selection of sites.



### Social

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

For its own people, the Group launched its People Plan, a three-year working strategy to meet the business' long-term goals in six key focus areas:

- Diversity and inclusion
- Health, safety and well-being
- Development and succession
- Talent acquisition
- Engagement and retention
- Management and compliance

The Group continued to report as a certified employer under the *Workplace Gender Equality Act 2012*.





## Governance

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

The Group's corporate governance and risk management framework is further enhanced by the expanded and embedded program of the Sustainability team, and the annual publication of the **FLOURISH** Sustainability Report.

## United Nations' Sustainable Development

As it matures on its ESG journey, the Group's **FLOURISH** initiative continues to sharpen its focus on building goals with the United Nations' Sustainable Development Goals (UNSDGs) in mind. Over time, the Group will be guided by those UNSDGs relevant to the international floriculture industry, as it plans for long-term commitment towards ESG maturity.



The development of **FLOURISH** in FY24 included the Group's first sustainability-focused enhancements to the framework by which capital allocation and other strategic decisions are assessed. The framework is founded on a policy that integrates sustainability considerations into the Group's major decisions.

Looking to the future, **FLOURISH** is expected to advance the Group's capability and know-how to meet the complex and evolving obligations of ESG measurement, disclosure and reporting performance, guided by leading bodies including the International Sustainability Standards Board, the Taskforce on Climate-related Financial Disclosures, the Taskforce on Nature-related Financial Disclosures, the Australian Investments and Securities Commission, and the Australian Securities Exchange.

The Group are in the process of determining the nature and form of disclosures required under AASB Sustainability Standards and this Sustainability Report is expected to continue to evolve to achieve ASRS S1 and ASRS S2 compliance by the relevant adoption date.

## Environment



### Climate related risks, scenarios, and physical resilience

As an agricultural producer and as a Group that is reliant on suppliers that span the globe, the Group takes active steps to mitigate climate related risks. In relation to its own farms, there are fundamental physical considerations for the Group's choice of farm sites, both in Australia and China, in respect to:

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

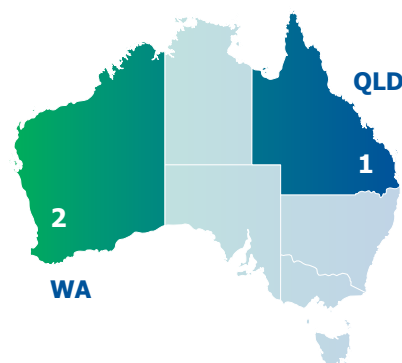
These geographical considerations are fundamental to the inherent climate resilience of the Group's farming infrastructure and choice of crop varieties that underpin investment decisions.

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

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



**Location of Group's China farms –  
Yunnan Province, China**



**Location of Group's Australia farms –  
Western Australia and Queensland**

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

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

In relation to international supply chains, the Group implements the active practice of supply diversification. For example, in the case that one region or nation is affected by significant climatic activity, leading to cessation or delay of supply, the Group can readily switch to alternate supply sources, logistical trade routes or destination ports at very short notice.



## Emissions and energy consumption

The Group considered the guidelines within the National Greenhouse Accounts (NGA) standards in reporting its Scope 1, Scope 2 emissions, and then separately reporting on selected Scope 3 emissions relating to transportation. The assessment encompasses greenhouse gas (GHG) emissions primarily comprising of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O), resulting from activities and processes within the Group's operations.

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

**Scope 1:** direct emissions from fuel consumption from farm operations and transport, where vehicles are owned or operated by the Group, incorporating emissions from agricultural practices and flower cultivation

**Scope 2:** indirect emissions that occur outside the boundary of the Group from purchased electricity consumed within the Group's facilities

**Scope 3:** indirect emissions that occur outside the boundary of the Group from air, sea, and road transportation from the movement of product, Australian domestic travel and processing of general waste

Calculated carbon emissions for FY24 and historical information for FY23 and FY22 are as follows:

Greenhouse gas emissions (tCO <sub>2</sub> -e)	June 2024	June 2023	June 2022
Scope 1 emissions	40,627	39,227	46,173
Scope 2 emissions	14,046	11,991	10,988
Scope 3 emissions <sup>1</sup>	32,538	23,723	23,137
	<b>87,212</b>	<b>74,941</b>	<b>80,298</b>

<sup>1</sup> Scope 3 emissions include selected emissions only (air, sea, and road transport, Australian domestic travel and processing of general waste)

The primary GHG emissions sources identified are non-renewable energy consumptions, including the combustion of coal and natural gas and through air transport. Increases in emissions in the reporting period, compared to prior year, were associated with:

**Scope 1:** greenhouse extensions at the Group's China farms requiring the addition of a boiler and increasing use of natural gas

**Scope 2:** increasing electricity usage following expansion of operations in the Group's Australian farms

**Scope 3:** increase in international air freight consignments from Colombia and Kenya compared to the previous year

In previous years, via a collaborative model with the Western Sydney University, the Group commissioned and received adaptable models that allow it to understand and interpret baseline GHG emissions for strategies it intends to implement, to reduce its environmental impact.

Understanding net emissions has subsequently enabled the Group to target specific operational activities that are contributing to overall emissions. The most significant component of the selected Scope 3 emissions related to international airfreight to Australia. The Group is investing in trials and has commissioned primary research to examine the feasibility of enhanced sea freight capabilities with the future hope of substituting significant volumes of airfreight into sea freight, with materially less Scope 3 carbon emissions than airfreight.

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



## Environment cont.



### Water management

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

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

The Group's farms in China include on site ponds, dams, and tanks to collect and store water, including rainwater from greenhouse roofs. These water storage units are covered to minimise evaporation and algal bloom growth. Water from ponds, dams, and storage tanks feed directly into fertigation units to be recirculated into greenhouses, which serves to maximise the use of applied fertilisers, minimises waste and minimises the risk of unforeseen environmental impacts.

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

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

In Australia, the Group utilises rainwater harvesting tanks for their Brisbane, Sydney and Melbourne operational facilities in the effort to reduce the amount of town water used in their post-harvest operational facilities.



### Biodiversity

The Group recognises that all human life, culture and economic activity relies on the provision of ecological services that are generated from natural systems. Furthermore, the Group's primary products are in large living plants, or are derived from living plants, and as such the Group is motivated to be mindful and responsible actors within the natural world, and to enhance the natural systems upon which are relied upon as by the Group, and also as individuals.

Due to the nature of the Group's products, as well as the agricultural base of its activities, the protection and enhancement of biodiversity is a key aim of the Group.

#### Integrated pest management

The Group is continuing its refinement and scope of Integrated Pest Management (IPM) systems. IPM strategies seek to control pests and diseases through the integrated use of several cultural, environmental, biological, and chemical systems. The Group's China farms implement IPM techniques.

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

Effective automated control of the environment to increase the overall health of plants also confers more constitutive resistance to the plants. Consistent use of pest-scouting enables any intervention or response to be targeted, proportionate, accurate and effective, without the need for unnecessary agrochemical use.

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

The Group remains ever vigilant with regards to biodiversity requirements and outcomes, and maintains a management system based on IPM to ensure that the risks of environmental impact are reduced as much as possible.

#### **Pollinator health**

In a step to further enhance the protection of biodiversity, and particularly to protect and enhance the health of pollinators during the conduct of its operations, in FY24 the Group introduced and endorsed a policy framework in relation to protecting pollinator health. Among other actions, this policy commits the Group to limiting or restricting the use of non-essential use of agrochemicals, encouraging the use of IPM principles among its own and partner farms, limiting or excluding the use of practices that may be damaging to pollinator populations, and encouraging the setting aside of lands that may serve as natural habitats or food source for pollinators.

#### **Ecologically based partnerships**

Recognising the Group's key alignment with natural flora and ecosystems, the Group has in FY24 established formal partnerships with two entities that have a focus on ecology, plant research, plant protection, as well as enhancing the role of the plants within the community.

In addition to providing support for the core foundational activities of these entities, the Group's support extends to the employment and nurturance of ecology and botanical scientists, students and practitioners. In this respect, the support of the Group will surely contribute to positive actions across future years and generations in the form of energising professionals to thrive in the sector and in relation to ecological restoration and science.

The Group has made a conscious choice to support two entities, one in Australia and one in Kenya, as recognition of its global reach, sphere of influence, and impact footprint.

## Environment cont.



### Partnership with Botanic Gardens of Sydney

The Botanic Gardens of Sydney are custodians of three botanic gardens in NSW (the Royal Botanic Gardens of Sydney, the Australian Botanic Garden Mount Annan and the Blue Mountains Botanic Garden Mount Tomah, in the Blue Mountains World Heritage Area), as well as The Domain of Sydney and also manage the Australian Institute of Botanical Science. The Gardens play a leading role in protecting and promoting Australia's native plants and floral biodiversity. As the most visited plant-space in Australia, they have a vital role in showcasing plants and flowers to the public.

The Group's support of the Gardens extends primarily to the scientific mission of the Gardens, which is to protect and preserve Australia's native flora through research, land and habitat restoration, and through direct conservation efforts of the Australian PlantBank, which conserves Australian seeds and plants over multiple generations. The Gardens support research scientists and students, drive many public education campaigns with respect to Australian native flora and biodiversity, and integrate First Nations knowledge into their education and land management programs.

The Group sees its partnership with the BGS as foundational to demonstrating its support of local community and culture, as well as to supporting plant science, the future of the floral industry, and natural biodiversity.



### Partnership with the Centre for Ecological Restoration – Kenya

The Centre for Ecological Restoration – Kenya (CER-K) is a recently established, not-for-profit organisation in Kenya that has a core mission of "restoring biodiverse ecosystems by engaging people and sharing knowledge." Its overall vision is of a "future of resilient ecosystems and thriving communities."

CER-K collects native Kenyan seeds and grows plants that can then be used to restore local lands that have been degraded or disturbed. It has also established Kenya's first internationally recognised botanic gardens, has provided a centre of employment for plant and ecological scientists, and employs people who are passionate about the ecological resilience of Kenya who work to protect the land for future generations.

When CER-K started its work in restoring natural habitat, it realised that no one in Kenya was growing native Kenyan plants and flowers for the purposes of land regeneration and restoration. For this reason, the CER-K began the task of establishing nurseries, and subsequently collected more than 4 million seeds to grow them for the benefit of planting into disturbed or degraded ecosystems across three major biomes or 'Hubs' across Kenya, namely: the *Highland Hub*, the *Savannah Hub*, and the *Coastal Hub*.

Looking after the land and biodiversity status of the plants in Kenya provides a lot of benefits for the Kenyan community, as well as helping to support the famous Kenyan wildlife. Native plants provide homes for local native animals, insects, worms, fungi and other organisms. Repaired land can hold onto the soil that was otherwise disturbed, meaning it can continue to filter water, produce oxygen, reduce wind damage, and be a food source for animals.

The enthusiasm to support the CER-K demonstrates a commitment of the Group to building a lasting and significant relationship with the people and community of Kenya, in addition to enhancing the natural ecological services for the benefit of the Kenyan community across multiple generations.

The Group looks forward to the work of enhancing works and systems with regards to improving outcomes for biodiversity.





## Sustainable packaging

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

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

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

Consistent with the overarching goals of 'Reduce, Reuse, and Recycle', the Group actively works with its major customers to present and create sustainable products and packaging choices.

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

Phased/phasing out	More sustainable solution
Wraps made from non-recyclable materials	Craft paper and poly-based wraps that are recyclable or soft plastics recycling scheme approved
Gloss coated, non-recyclable posy boxes	Natural coating, recyclable posy boxes bearing Australasian recycling labels
Plastic, foam, and glitter picks	Timber and kraft paper picks
Non-recyclable polyvinyl chloride (PVC) lids	Recyclable polyethylene terephthalate (PET) lids bearing Australasian recycling labels

### Floral foam

Floral foam is used in floral arrangements to provide water and to stabilize and display flowers. There are several grades of floral foam that differ in overall sustainability and performance profiles. Although widely used, most grades include non-reusable and non-recyclable components.

In FY24, the Group has engaged with a range of internal and external stakeholders to investigate, test and validate a replacement strategy for non-reusable or non-recyclable grades of floral foam. The Group performed primary research into the efficacy of increased sustainability grade foams and consumer acceptance of alternative packaging vehicles that are reusable and/or recyclable.

As a result of this research, the Group has been able to implement a significant reduction in floral foam purchasing in FY24 and a more sustainable replacement solution for the remaining volumes of floral foam. In most cases, the Group has switched to ranging product arrangement options that are either recyclable or reusable, for example glass vases. For some arrangements that still use floral foam the Group uses *OASIS Enhanced BIO Floral Foam Maxlife degradable foam*, which breaks down to water and CO<sub>2</sub> over time under low oxygen degradation environments such as landfill or water treatment plants. The Group is in the transition process of removing grades of floral foam which are non-reusable and non-recyclable from its ranges.

### Recycled content in soft plastic packaging

The Group is in the process of ensuring that the Post Consumer Recycled Content (PCR) included in soft plastic packaging accounts for a minimum of 40% of total content. The PCR content is Global Recycled Standard certified. This 40% target is above the 2025 National Packaging Target percentage set for recycled content.

All soft plastic materials purchased in Australia, for the Group's warehouse sites, are assessed through APCO and meet the threshold to carry the "Check Locally" label, meaning they can be recycled.

## Environment cont.



### Waste management

Waste management stands as a foundation of the Group's sustainability efforts, reflecting commitment to efficient resource utilisation and environmental stewardship. By effectively managing waste, the Group not only reduces operational costs but also enhances environmental credentials with the community, customers, and its own people.

Waste is one of the most immediately visible, readily tangible and participatory sustainability elements. Encouraging high staff engagement in the realm of waste management has significant internal cultural impact.

#### Establishment of baseline data - Australia

In FY24, the Group's waste management strategy achieved significant milestones. It conducted a comprehensive assessment across all sites in Australia to establish baseline data on waste production. This initiative allowed identification of major waste streams, evaluated segregation systems, and quantified total waste outputs. The Group subsequently pinpointed areas where concentrated efforts are needed to achieve waste reduction goals.

Within the Group, different production facilities undertake varying levels of waste separation for disposal and recycling purposes, as the Group strives to balance the commerciality and environmental sensitivity of waste management.

The Group collaborated with partner waste management entities to measure and quantify waste disposal and recycling status. The gathered data has helped the Group to evaluate current waste management practices across the business and to build and implement more sustainable waste streams, which can in turn be operationalised.

The Group's primary waste streams include paper/cardboard, organic waste (such as fresh flower cuts and foliage), soft plastics, and general waste in operational areas. This gathered data has enabled quantification of annual outcomes of waste production. The results in FY24 show a significant level of waste diversion into sustainable channels, behaviours that the Group expects will accelerate in future years.

The table below shows baseline waste from the Australian business for FY23 and FY24:

Australia waste, tonnes	FY24		FY23	
	Tonnes	%	Tonnes	%
Organic waste	188	5%	139	4%
Paper / cardboard	975	27%	732	22%
General waste including soft plastics	2,447	68%	2,401	74%
<b>Total</b>	<b>3,610</b>	<b>100%</b>	<b>3,272</b>	<b>100%</b>

### Australia strategic waste management plan

In line with its commitment to sustainable practices, the Group has developed and implemented a robust waste management plan for its site in Ingleburn, New South Wales. The plan is formulated using the principles of reducing, reusing, and recycling. It provides a structured framework to guide operations towards achieving the targets set forth in the National Waste Action Plan (2019).

The Group is aligned with the seven National Waste Action Plan targets with a particular focus on:

- reducing total waste generated by 10% per person by 2030
- recovering 80% of all waste by 2030
- phasing out problematic and unnecessary plastics by 2025
- halving the amount of organic waste to landfill by 2025

### Operational improvements - Australia

To enhance its waste management efforts, the Group has implemented the following operational process improvements and equipment upgrades:

- completed installation of waste separation compactors at NSW production facility, diverting 31 tonnes of organic waste from landfill in FY24
- commissioned the rollout of multi-sort waste bins across NSW and office areas and leisure sites, including waste recovery training for employees, allowing team members to holistically embrace the waste management plan implemented cardboard and soft plastic collection at off-site location in Victoria, further enhancing waste diversion efforts
- diverted 3,200 end-of-life wooden pallets from landfill through mulching at the Group's farm in Queensland and reused 320 end of life pallets through pallet recycling initiatives



### Operational improvements - China

In its China operations, the Group established a formal waste separation program into four categories:

- green waste – flower off-cuts which are composted at source, or else converted into 'green fertilisers' (soil conditioner, mulch, compost)
- white waste – cardboard and plastic, an example of sustainable waste diversion
- general
- hazardous – removal of certain agricultural (agrochemical) products including containers removed by companies who are certified and trained to do so

Looking ahead, the Group remains committed to continuously improving its waste management practices and performance in a practical, cost effective and collaborative manner.



## Social



### Ethical growing and sourcing

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

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

The Group's expectation is that suppliers will:

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

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

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

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

In FY24, the Group progressed implementation of its internal ethical sourcing and growing roadmap by:

- distributing a follow-up round of surveys to Tier 1 global suppliers, to re-assess their modern slavery risks and that of their supply chains
- including a provision in China purchase orders directed towards compliance with modern slavery obligations and allowing for supply chain audits and surveys
- upgrading the modern slavery training and awareness program ready for roll out across the Australia operations in early FY25
- completing formal ethical trading reviews as part of on-site assessments for all supplier visits in Australia and internationally
- undertaking site visits of potential new suppliers in south-east Asia
- integrating the monitoring and review of the Group's modern slavery processes into the Group's broader sustainability framework and reporting

By transferring the Modern Slavery program, and related data, to a dedicated module on the Group’s internal digital platform, the Group continued to raise the rigour of internal systems for assuring adherence to its ethical growing and sourcing policies including its Ethical Sourcing Policy, Human Rights Policy, and Modern Slavery Statement.

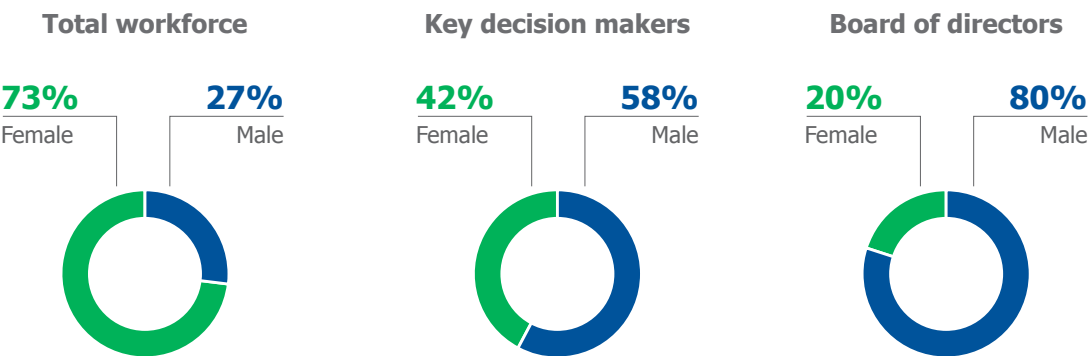
This continued refinement of its internal procurement systems not only underpins the Group’s annual Modern Slavery reporting but is a valuable and practical demonstration of its broader respect for internationally recognised human rights.



Workforce, diversity and inclusion

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

The Group’s Diversity Policy provides the framework to achieve its diversity goals through setting targets at different levels across the organisation. The Group’s gender target for FY24 was a 40% minimum gender composition at Board and key decision maker levels and across the broader workplace.



Although the Group fell short of achieving some of its gender diversity targets in the current reporting period, the Group’s view is that maintaining these targets, and striving to meet them as soon as is possible and appropriate, is in the interests of stakeholders.

The Group is a relevant employer and submits a report under the *Workplace Gender Equality Act 2012* (C’t’h) annually.

At June 2024, the Group employed 1,968 team members across Australia and China encompassing more than 18 different nationalities. The Group appreciates the loyalty and commitment to the business demonstrated by its people every day. In Australia, more than 30% of employees have been employed by the Group for more than 10 years and 45% have been employed for more than seven years.

While underlying year-round demand for floral products is steady, critical peaks occur during key events throughout the year, in both the Australia and China markets. The major floral events include Mothers’ Day, Valentine’s Day, Christmas, Chinese New Year, 520 Day, Qixi Festival and Singles Day. During these event periods, the Group supplements its production staff with workers engaged through labour supply companies with whom it enjoys strong relationships, developed over many years.

## Social cont.



### Employee engagement

During the year, the Group conducted its first employee engagement survey in Australia using independent consultant Mercer. The objective of the survey was to measure employees' level of engagement in terms of how committed, contributing and captivated employees feel. The following overriding employee criteria were assessed:

- Committed – wanting to stay with the organisation and feeling passionate about its mission
- Contributing – motivated to help the organisation succeed
- Captivated – feeling energised and looking forward to coming to work

The employee response rate to the survey was 85% and the overall Australian engagement score was 75%.

In addition to the engagement score, the Group received anonymous comments from employees both positive and areas for improvement which the Group intends to consider and act upon as appropriate.



### Health, safety and wellbeing

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

Following the FY23 upgrade of the Group's Work Health and Safety Management System (WHSMS) at all Australian sites to comply with ISO 45001, the next step was augmentation of the inhouse safety management team with appointment of an Australian National Safety Manager, supported by state-based safety management administrators. The Group also appointed a dedicated safety officer to the China operations. This expansion of the safety management team across the business provides a strong and necessary foundation to embed safety into the Group's culture.

Other key WHSMS developments in FY24 upgrade included:

- rollout of safety induction training
- development of new safety statistical datasets for reporting
- transfer of safety incident and hazard reporting onto the Group's internal digital platform

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

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

The Board closely oversees the monthly reporting from the upgraded WHSMS.



### Career development

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

Career development initiatives undertaken in FY24 included enhancing the employee review process to identify specific areas for potential for growth, identifying leadership competencies, rolling out qualification training in leadership and management and conducting the inaugural round of unconscious bias training for management.





## Case Study

### Jason Lee - State Manager, Queensland

Jason's career with the Group began in 2006, marking the start of a dynamic and rewarding journey. He joined the team in operations, gaining a deep understanding of the core processes driving our business. This role cultivated Jason's focus on efficiency and operational excellence and laid the ground for future roles.

In procurement, Jason streamlined the supply chain, securing high-quality products at optimal prices. This experience honed his negotiation skills and emphasized the importance of strong supplier partnerships.

Quality management was Jason's next focus, where he upheld and enhanced the Group's strong product standards. Ensuring adherence to rigorous quality benchmarks deepened Jason's appreciation for the interconnectedness of business functions.

Today, as Queensland State Manager, Jason leverages his comprehensive experience to oversee and integrate these functions, driving efficiency and success. He has cultivated a team culture that is centred on understanding the broader impact of each role, maximising the team's collective potential. This holistic approach continues to propel the Group to new heights and solidifying its industry leadership.



## Responsible corporate and global citizen

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

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



China team internal team building exercise

## Social cont.

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

- allowing local farmers to tend unused land for their own product
- repairing irrigation systems for local farmers
- donating to the elderly in local communities
- offering accommodation respite and conducting awareness workshops for staff members needing support from abusive or otherwise difficult domestic situations
- sponsoring local university and high school agricultural studies



### Australian Flower Traders Association

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

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



### CIOPORA – Uniting breeders, protecting innovation

The flower industry relies on a network of global scientists and regulators to improve, refine, or create new plant and flower genetics. As part of its mission and role as market leader, the Group seeks to protect innovation in the floral supply chain, of which new genetics is a major part. As such, the Group is an active member of the International Community of Breeders of Asexually Reproduced Horticultural Plants (CIOPORA).

CIOPORA is a non-profit community of breeders that seeks to establish breeder-friendly intellectual property systems for horticulture. CIOPORA has observer status at the Community Plant Variety Office (CPVO) and the International Union for the Protection of New Varieties of Plants (UPOV), and advocates for the interests of breeders with UPOV member states, regulators and stakeholders across the world.

The contribution and membership support of the Lynch Group to CIOPORA ensures that the work of breeders globally is better protected, which in turn protects the foundation of governance and innovation within the worldwide floricultural industry.

## Governance



### Sustainability policy

The Group has developed its Sustainability Policy which is available on its website.

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

The policy outlines the Group's Sustainability Framework and its Sustainability guidelines which provide the basis for the way the organisation chooses to conduct itself.

**FLOURISH** is the mechanism for bringing this policy to life within the organisation.



### Board of directors

Both the Chair and Non-executive Director Patrick Elliott and the Chief Executive Officer and Managing Director Hugh Toll pre-date the Group's listing on the Australian Stock Exchange. All current Non-Executive Directors - Peter Arkell, Elizabeth Hallett and Peter Clare - were appointed to the Board at the time of the Group's IPO.

Each of the Group's Board members is an experienced director and brings diversity of knowledge, skill, and experience to the boardroom.

The Board regularly reviews its performance, composition, and other matters of operation in accordance with its statutory obligations, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, and the Group's own Board policies and charters.

The Group's corporate governance policies and charters are available on its website at: <https://lynchgroup.com.au/investor-centre>.



### Corporate governance framework

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

The Group has an established Sustainability team which includes senior executives of the Group from across the key business units and different geographic locations. This team has responsibility for strategic execution of **FLOURISH**.

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



## Governance cont.



### Other financial, tax and corporate reporting frameworks

The Group is fully cognisant of its statutory obligations around financial, tax and other corporate reporting. A suite of corporate governance policies is publicly available on the Group's website.

Transparency and communication with key stakeholders occur regularly in line with ASX updates on performance.

With regard to ethical sourcing of floral product, in FY24 Group completed formal ethical trading reviews as part of on-site assessments for all supplier visits in Australia and internationally, like Kenya, Malaysia and Vietnam. These reports helped to inform the reporting in the Groups' annual, public Modern Slavery Statement in FY24.



### IT systems and data privacy

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

The Group acknowledges the crucial role of cybersecurity in its operations. Its commitment to cybersecurity is demonstrated through reliance on industry-standard solutions leveraging up to date security features. In FY24, the Group's cyber security program included, but was not limited to the following types of activities:

- regular expert monitoring of IT systems and establishment of a security incident response team
- repeated external penetration testing exercises
- regular sessions of mandatory cybersecurity awareness training for employees
- proactive internal audit review and testing
- up to date research and understanding on new cyber threats



### Key risks

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

- Macro-economic conditions (including consumer confidence and cost of living)
- Market disruption
- Environmental risk (including climate-related risk)
- Ethical sourcing and trade
- People capability and labour availability
- Workplace health and safety
- Customer concentration risk
- Key suppliers and other strategic relationships
- Geopolitical risks of operating in China
- Changes to Australia's quarantine and customs requirements
- Foreign currency exposure
- Glyphosate
- Information technology and cyber security

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



## Assumptions in calculation of carbon emissions

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

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

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

# REMUNERATION REPORT

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

KMP are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly. The Group's KMP for the financial year ended 30 June 2024 include Non-Executive Directors and Senior Executives. Senior Executives include Executive Directors.

## Non-Executive Directors

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

## Senior Executives

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

## Principles used to determine the nature and amount of remuneration

The objective of the Group's executive remuneration and reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and is considered to conform to the market best practice for the delivery of reward.

The Board ensures that the executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- termination payments, if any, are justified and appropriate



## Remuneration and Nomination Committee

Name	Position
Elizabeth Hallett	Chair
Peter Arkell	Member
Peter Clare	Member

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

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

## Remuneration consultant

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

In accordance with best practice corporate governance, the structure of the remuneration of Non-Executive Directors and senior executives is separate.

## Non-Executive Director remuneration

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

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

The annual Directors' fees paid during the current reporting period are \$175,000 to the Non-Executive Chair of the Board and \$100,000 to each of the other Non-Executive Directors. In addition, Directors are paid \$20,000 for each of the roles of Chair of the Audit and Risk Committee and the Remuneration and Nomination Committee, and \$10,000 for members of those Committees. Peter Arkell is paid an additional \$10,000 for China based services. Superannuation payments are included in the Directors' fees.

From 1 July 2024 Directors' fees will be increased by 5% on remuneration paid during the year ended 30 June 2024. The increase is reflective of recent CPI noting that prior to this increase there has been no increase in Director fees since April 2021. The annual Directors' fees agreed to be paid from 1 July 2024 are \$183,750 to the Non-Executive Chair of the Board and \$105,000 to each of the other Non-Executive Directors. In addition, Directors are to be paid \$21,000 for each of the roles of Chair of the Audit and Risk Committee and the Remuneration and Nomination Committee, and \$10,500 for members of those Committees. Peter Arkell is to be paid an additional \$10,500 for China based services. Superannuation payments are included in the Directors' fees.

## Executive remuneration

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

## Executive remuneration and reward framework

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

## Financial performance

The Group's performance for financial years ended June 2024 and June 2023 is outlined below:

	June 2024 \$'000s	June 2023 \$'000s
EBITDA	39,619	42,310
Net profit before tax and impairment	8,473	13,276
Impairment of goodwill	(30,119)	-
Net (loss)/profit after tax	(26,052)	9,940

	June 2024 \$	June 2023 \$
Share price at start of year	2.61	2.10
Share price at end of year	1.39	2.61
Interim dividend	0.04	-
Final dividend	0.08	0.07
Underlying basic and diluted earnings per share	3.33	8.14
Basic and diluted earnings per share	(21.34)	8.14

## Fixed remuneration

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

## Short-Term Incentive scheme (STI)

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

Participation	Senior Executives and selected Senior Managers		
Period	Financial year ended June 2024		
Incentive as proportion of fixed remuneration	0%–80%		
Conditions	Achievement of earnings before interest, depreciation, and amortisation (EBITDA) targets. The STI must also self-fund by delivering incremental earnings above target EBITDA sufficient to satisfy the cost of the plan. These performance conditions were chosen to closely align participants’ STI outcomes with the performance of the Group		
Potential	The STI potential as a proportion of the fixed remuneration (base salary + superannuation) for KMP are:		
		Minimum	Maximum
	Hugh Toll	0%	80%
	Steve Wood	0%	60%
	David Di Pietro	0%	60%
	Dirk Vlaar	0%	60%
Eligibility	The participant must be employed and performing duties and responsibilities of role to the satisfaction of the Board at the time of payment. The participant must not be serving out any period of notice of termination (however arising), on gardening leave, on suspension, subject to any investigation for misconduct, subject to any performance management process, or subject to any disciplinary process		
Discretion	The STI is at the discretion of the CEO, Board and RNC and is subject to change or cancellation at any time. The CEO has no discretion over his own STI		
Payment date	Payment for actual STI awarded is made in July 2024		



## Award and percentage of STI payable and forfeited for KMP for the financial year ended June 2024

KMP	Max. STI potential (\$)	Actual STI awarded (\$)	Proportion awarded (%)	Proportion forfeited (%)
<b>Senior Executives</b>				
Hugh Toll	505,762	75,864	15%	85%
Steve Wood	234,655	35,198	15%	85%
David Di Pietro	278,073	41,711	15%	85%
Dirk Vlaar	246,987	-	0%	100%
	<b>1,265,477</b>	<b>152,773</b>	<b>12%</b>	<b>88%</b>

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

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

## Long-Term Incentive scheme

### Year ended June 2024 LTI plan

The Group has offered a Long-Term Incentive scheme (LTI) in the financial year ended June 2024 to assist in the motivation, reward and retention of Senior Executives and other selected Senior Managers. The LTI is designed to align participants' interests with the interests of shareholders by providing participants an opportunity to receive ordinary shares in the company through the granting of options. The key terms of the LTI are noted below:

Term	Description														
<b>Eligibility</b>	Senior Executives and other selected Senior Managers of the Group may participate in the LTI. Eligibility to participate in the LTI and the number of options offered to each participant will be determined by the Board														
<b>Grants</b>	<p>The Group intends that the maximum notional value of options offered to the Group CEO will be 60% of their total fixed remuneration and for other selected Senior Managers will be between 10% and 40% of their total fixed remuneration</p> <p><b>Financial year ended June 2024</b></p> <p>4,965,424 options over shares in the company were granted under the grant for the financial year ended June 2024. The options granted varied between participants, and were allocated as follows:</p> <table> <tr> <th>Participant</th><th>Options granted</th></tr> <tr> <td>Hugh Toll<sup>1</sup></td><td>-</td></tr> <tr> <td>Steve Wood</td><td>528,415</td></tr> <tr> <td>David Di Pietro</td><td>770,689</td></tr> <tr> <td>Dirk Vlaar</td><td>487,167</td></tr> <tr> <td>Other Senior Managers</td><td>3,179,153</td></tr> <tr> <td><b>Total</b></td><td><b>4,965,424</b></td></tr> </table>	Participant	Options granted	Hugh Toll <sup>1</sup>	-	Steve Wood	528,415	David Di Pietro	770,689	Dirk Vlaar	487,167	Other Senior Managers	3,179,153	<b>Total</b>	<b>4,965,424</b>
Participant	Options granted														
Hugh Toll <sup>1</sup>	-														
Steve Wood	528,415														
David Di Pietro	770,689														
Dirk Vlaar	487,167														
Other Senior Managers	3,179,153														
<b>Total</b>	<b>4,965,424</b>														
<b>Vesting conditions</b>	<p>Options vest subject to an EPS hurdle and a TSR hurdle over the performance period. 50% of the options are subject to the EPS hurdle with the remaining 50% subject to the TSR hurdle</p> <p>The EPS vesting percentages will correspond to the Group's annual compounding EPS growth over the performance period (adjusted where necessary to consider one off items as determined by the Board), and are as follows:</p> <ul style="list-style-type: none"> <li>• Annual compounding EPS less than 8%: 0% of options will vest</li> <li>• Annual compounding EPS equal to 8%: 0% of options will vest</li> <li>• Annual compounding EPS between 8% and 12%: options will vest on a straight line pro rata basis between 0% and 100%</li> <li>• Annual compounding EPS greater than 12%: 100% of options will vest</li> </ul>														

<sup>1</sup> The issue of 1,576,955 options to Hugh Toll under the grant for the financial year ended June 2024 is subject to Shareholder approval at the company's AGM in November 2024

## REMUNERATION REPORT CONT.

Term	Description
<b>Vesting conditions cont.</b>	<p>The TSR vesting percentages will be determined by comparison of the Group's TSR against the TSR of companies which comprise the ASX300 index:</p> <ul style="list-style-type: none"> <li>Group TSR in the bottom quartile (0%-25%) of the ASX300 index: 0% of options will vest</li> <li>Group TSR in the second quartile (25%-50%) of the ASX300 index: 33% of options will vest</li> <li>Group TSR in the third quartile (50%-75%) of the ASX300 index: 66% of options will vest</li> <li>Group TSR in the top quartile (75%-100%) of the ASX300 index: 100% of options will vest</li> </ul> <p>None of the options will vest during the first two years of the five-year performance period. During each of the third, fourth and fifth year of the performance period, 1/3 of the options will be eligible to vest (in the manner set out above) if the Group has achieved the relevant compounded EPS target and / or TSR target at the end of that year</p> <p>To the extent that any options which vest in years 3 and 4 do not vest due to the Group not achieving the relevant EPS or TSR target, those options will be subject to retesting based on the Group's annual compounding EPS and TSR performance until the option expires (i.e., in years 4 or 5 (as applicable))</p> <p>In addition to the EPS performance condition, it is a vesting condition that the relevant participant has been continuously employed by a member of the Group (and has not resigned or been terminated) at all times up to (and including) the relevant vesting date</p> <p>These performance conditions were chosen to closely align participants' LTI outcomes with the performance of the Group</p>
<b>Terms and conditions</b>	The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the LTI
<b>Options</b>	Each Option confers on its holder the entitlement to receive one or more shares in the company at the exercise price upon exercise of the Option. Options will not be quoted on the ASX
<b>Issue price</b>	The options will be issued for nil consideration
<b>Exercise price</b>	\$1.41 being the volume weighted average price of an ordinary Share in the Group listed on the Australian Securities Exchange for the month of May 2024
<b>Performance period</b>	Five years following the date of grant of the options to the relevant participant
<b>Ranking of shares</b>	Shares issued upon vesting and exercise of options under the LTI will rank equally in all respects with existing ordinary shares
<b>Rights attaching to options</b>	The options do not carry rights to dividends or voting rights prior to exercise
<b>Restrictions on options</b>	Except as permitted by the Board, a participant must not sell, transfer, encumber, hedge or otherwise deal with options. Once options are exercised and shares are issued in their place, generally no disposal restrictions apply to shares, other than the restrictions that apply under the Group's Securities Trading Policy. However, the Board may determine to apply disposal restrictions to those shares on a case-by-case basis at the time of granting options
<b>Vesting and exercise of options</b>	Subject to any vesting conditions having been satisfied or waived by the Board in its discretion, an option may be exercised in accordance with the relevant participant's invitation and by the participant paying the exercise price



<b>Term</b>	<b>Description</b>
<b>Lapse of options</b>	Unless otherwise specified in a participant's invitation or otherwise determined by the Board, an Option will lapse if any vesting condition applicable to the Option has not been satisfied or waived in accordance with its terms or is not capable of being satisfied; or the expiry of the exercise period; or in certain circumstances if the participant's employment is terminated; or in other circumstances specified in the LTI rules
<b>Cessation of employment of holders of options</b>	The LTI contains provisions concerning the treatment of unvested and vested options in the event a participant ceases employment as a result of death or serious and debilitating illness. In other circumstances the Board has absolute discretion in the treatment of unvested and vested options in the event a participant ceases employment
<b>Change of control</b>	In the event of a change of control, the Board may, in its absolute discretion, determine the manner in which any or all the participant's options will be dealt with. This may include determining that all or some of a participant's options are vested and may be exercised
<b>Capital restructure</b>	In the event of a capital restructure the Board may make such adjustments (including to matters such as exercise price, number of options held, or number of shares received on exercise) as the Board deems appropriate. A participant holding an option is not entitled to participate in any new issue of securities with respect to the option
<b>Employee share trust</b>	The Group may establish, on such terms and conditions as determined by the Board in its discretion, an employee share trust to assist with operation of the LTI, including facilitating the provision of shares to participants when options are exercised
<b>Expiry of options</b>	Options will expire on a date fixed in the offer letter to the participant. On the expiry date for an option, the option will lapse unless it has been validly exercised
<b>Amendments</b>	The Board may amend the LTI rules or waive or modify the application of the LTI rules in relation to a participant, provided that (except in specified circumstances) if such amendment would adversely affect the rights of participants in respect of any options already held by them, the Board must obtain the consent of that participant before that amendment applies to that participant's existing options

## Summary of remuneration mix

The remuneration mix for the financial year ended June 2024 for the KMP is:

KMP	Fixed	STI	LTI	Total
<b>Non-Executive Directors</b>				
Patrick Elliott	100%	n/a	n/a	100%
Peter Arkell	100%	n/a	n/a	100%
Peter Clare	100%	n/a	n/a	100%
Elizabeth Hallett	100%	n/a	n/a	100%
	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>
<b>Senior Executives</b>				
Hugh Toll	77%	9%	14%	100%
Steve Wood	83%	7%	10%	100%
David Di Pietro	84%	8%	8%	100%
Dirk Vlaar	95%	0%	5%	100%
	<b>83%</b>	<b>7%</b>	<b>10%</b>	<b>100%</b>

## KMP contract terms

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

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

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

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

## Details of remuneration

Amounts of Remuneration for KMP for the financial year ended June 2024 was as follows:

KMP	Short term cash salary and fees (\$)	Short term cash bonus (\$)	Termination benefits (\$)	Post employment benefits (\$)	Equity settled (\$)¹	Total (\$)
<b>Non-Executive Directors</b>						
Patrick Elliott	157,658	-	-	17,342	-	175,000
Peter Arkell	117,117	-	-	12,883	-	130,000
Peter Clare	117,117	-	-	12,883	-	130,000
Elizabeth Hallett	117,117	-	-	12,883	-	130,000
	<b>509,009</b>	<b>-</b>	<b>-</b>	<b>55,991</b>	<b>-</b>	<b>565,000</b>
<b>Senior Executives</b>						
Hugh Toll²	604,702	75,864	-	27,500	112,494	820,560
Steve Wood	363,592	35,198	-	27,500	45,261	471,551
David Di Pietro	435,955	41,711	-	27,500	45,876	551,042
Dirk Vlaar	392,434	-	-	-	20,596	413,030
	<b>1,796,683</b>	<b>152,773</b>	<b>-</b>	<b>82,500</b>	<b>224,227</b>	<b>2,256,183</b>
	<b>2,305,692</b>	<b>152,773</b>	<b>-</b>	<b>138,491</b>	<b>224,227</b>	<b>2,821,183</b>

¹ Represents the accounting value recognised in profit or loss in accordance with AASB 2 *Share-based payments* during the financial year ended June 2024 in relation to options granted to Senior Executives under the Group's long-term incentive plan

² Equity settled remuneration for Hugh Toll includes a service amount estimate recognised in the financial year ended June 2024 in respect of an issue of options which is subject to Shareholder approval at the company's AGM in November 2024

# REMUNERATION REPORT CONT.

## Details of remuneration cont.

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

KMP	Short term cash salary and fees (\$)	Short term cash bonus (\$) <sup>3</sup>	Termination benefits (\$)	Post employment benefits (\$)	Equity settled (\$) <sup>1</sup>	Total (\$)
<b>Non-Executive Directors</b>						
Patrick Elliott	158,371	-	-	16,629	-	175,000
Peter Arkell	117,647	-	-	12,353	-	130,000
Peter Clare	117,647	-	-	12,353	-	130,000
Elizabeth Hallett	117,647	-	-	12,353	-	130,000
	<b>511,312</b>	<b>-</b>	<b>-</b>	<b>53,688</b>	<b>-</b>	<b>565,000</b>
<b>Senior Executives</b>						
Hugh Toll <sup>2</sup>	577,500	121,000	-	27,500	45,190	771,190
Steve Wood	346,765	56,140	-	27,500	19,555	449,960
David Di Pietro	416,013	49,895	-	27,500	21,829	515,237
Dirk Vlaar	344,254	56,426	-	-	9,108	409,788
	<b>1,684,532</b>	<b>283,461</b>	<b>-</b>	<b>82,500</b>	<b>95,682</b>	<b>2,146,175</b>
	<b>2,195,844</b>	<b>283,461</b>	<b>-</b>	<b>136,188</b>	<b>95,682</b>	<b>2,711,175</b>

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

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

<sup>3</sup> Short term cash bonuses have been re-presented to recognise the 2023 STI payments made to KMP in July 2023 on an accruals basis



## Equity instruments

The movement in ordinary shares in the company held by KMP either directly, indirectly, or beneficially for the financial year ended June 2024 was as follows:

KMP	Opening balance	Shares purchased	Closing balance
<b>Non-Executive Directors</b>			
Patrick Elliott <sup>1</sup>	408,139	192,560	600,699
Peter Arkell	16,666	-	16,666
Peter Clare <sup>2</sup>	179,443	49,500	228,943
Elizabeth Hallett	27,777	-	27,777
	<b>632,025</b>	<b>242,060</b>	<b>874,085</b>
<b>Senior Executives</b>			
Hugh Toll	639,999	-	639,999
Steve Wood	237,300	-	237,300
David Di Pietro	299,999	-	299,999
Dirk Vlaar	101,495	-	101,495
	<b>1,278,793</b>	<b>-</b>	<b>1,278,793</b>

<sup>1</sup> Patrick Elliott holds shares in the company via entities for which he is not the registered holder. Elliott Services Pty Limited as trustee of the Elliott Family Trust holds 331,449 shares, Avanteos Investments Limited as trustee for the Elliott Superannuation A/C holds 164,276 shares and Avanteos Investments Limited as trustee for the Elliott Family A/C holds 104,974 shares

<sup>2</sup> Peter Clare holds shares in the company via entities for which he is not the registered holder. GHWE Capital Pty Ltd as trustee for the Peter Clare Family Trust holds 144,721 shares, Moore Park Nominees Pty Ltd as trustee for the Peter Clare & Ass. Super Fund holds 70,722 shares and One Runway Pty Limited holds 13,500 shares

# REMUNERATION REPORT CONT.

## Share options

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

Grant Date	Vesting date <sup>1</sup>	Expiry date	Exercise price	Fair value per option at grant date
<b>LTI grants for the financial year ended June 2021</b>				
Between 6 April 2021 and 6 May 2021	30 June 2024	30 June 2027	\$3.60	TSR - \$0.96 EPS - \$1.07
Between 6 April 2021 and 6 May 2021	30 June 2025	30 June 2027	\$3.60	TSR - \$1.03 EPS - \$1.09
Between 6 April 2021 and 6 May 2021	30 June 2026	30 June 2027	\$3.60	TSR - \$1.06 EPS - \$1.12
<b>LTI grants for the financial year ended June 2022</b>				
16 June 2022 and 25 November 2022	30 June 2025	30 June 2028	\$2.24	TSR - \$0.40 EPS - \$0.44
16 June 2022 and 25 November 2022	30 June 2026	30 June 2028	\$2.24	TSR - \$0.43 EPS - \$0.45
16 June 2022 and 25 November 2022	30 June 2027	30 June 2028	\$2.24	TSR - \$0.44 EPS - \$0.45
<b>LTI grants for the financial year ended June 2023</b>				
31 May 2023	30 June 2026	30 June 2029	\$1.84	TSR - \$0.45 EPS - \$0.48
24 November 2023	30 June 2026	30 June 2029	\$1.84	TSR - \$0.50 EPS - \$0.54
31 May 2023	30 June 2027	30 June 2029	\$1.84	TSR - \$0.48 EPS - \$0.49
24 November 2023	30 June 2027	30 June 2029	\$1.84	TSR - \$0.53 EPS - \$0.55
31 May 2023	30 June 2028	30 June 2029	\$1.84	TSR - \$0.48 EPS - \$0.50
24 November 2023	30 June 2028	30 June 2029	\$1.84	TSR - \$0.54 EPS - \$0.56
<b>LTI grants for the financial year ended June 2024</b>				
31 May 2024	30 June 2027	30 June 2030	\$1.41	TSR - \$0.24 EPS - \$0.25
31 May 2024	30 June 2028	30 June 2030	\$1.41	TSR - \$0.24 EPS - \$0.25
31 May 2024	30 June 2029	30 June 2030	\$1.41	TSR - \$0.23 EPS - \$0.25

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

Details of Share Option grants for KMP for the financial year ended June 2024 were as follows:

KMP	Type	Number	Grant date	Vesting date <sup>1</sup>	Exercise Price
Hugh Toll <sup>2</sup>	LTI options	257,549	24 November 2023	30 June 2026	\$1.84
	LTI options	257,550	24 November 2023	30 June 2027	\$1.84
	LTI options	257,550	24 November 2023	30 June 2028	\$1.84
Steve Wood	LTI options	176,138	31 May 2024	30 June 2027	\$1.41
	LTI options	176,138	31 May 2024	30 June 2028	\$1.41
	LTI options	176,139	31 May 2024	30 June 2029	\$1.41
David Di Pietro	LTI options	256,896	31 May 2024	30 June 2027	\$1.41
	LTI options	256,896	31 May 2024	30 June 2028	\$1.41
	LTI options	256,897	31 May 2024	30 June 2029	\$1.41
Dirk Vlaar	LTI options	162,389	31 May 2024	30 June 2027	\$1.41
	LTI options	162,389	31 May 2024	30 June 2028	\$1.41
	LTI options	162,389	31 May 2024	30 June 2029	\$1.41

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

<sup>2</sup> Hugh Toll was issued 772,649 options under the grant for the financial year ended June 2023 following Shareholder approval at the company's AGM in November 2023. The issue of 1,576,955 options under the grant for the financial year ended June 2024 to Hugh Toll is subject to Shareholder approval at the company's AGM in November 2024

Movement in options held by KMP for the financial year ended June 2024 were as follows:

KMP	Opening balance	Granted	Vested	Forfeited	Closing balance
<b>Senior Executives</b>					
Hugh Toll <sup>1</sup>	1,092,796	772,649	-	-	1,865,445
Steve Wood	711,757	528,415	-	-	1,240,172
David Di Pietro	892,270	770,689	-	-	1,662,959
Dirk Vlaar	469,342	487,167	-	-	956,509
	<b>3,166,165</b>	<b>2,558,920</b>	<b>-</b>	<b>-</b>	<b>5,725,085</b>

<sup>1</sup> Hugh Toll was granted 772,649 options under the 2023 LTI plan after approval at the company's AGM in November 2023. An additional issue of 1,576,955 options to Hugh Toll is subject to Shareholder approval at the company's AGM in November 2024 under the 2024 LTI plan

Senior Executives received a grant of options on 31 May 2024 as the LTI component of their remuneration package. No options were granted to Non-Executive Directors. Options carry no dividend or voting rights

**This concludes the remuneration report which has been audited.**

## Indemnification of officers and auditors

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

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

## Proceedings on behalf of the company

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

## Non-audit services

Details of the amounts paid to the auditor of the Group, Deloitte Touche Tohmatsu, and its network firms for audit and non-audit services provided during the period are included in Note 31 of the notes to the consolidated financial statements.

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

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

## Environmental regulations

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

## Rounding amounts

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



## Director independence

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

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

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

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

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

## Auditor's independence declaration

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

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

On behalf of the Directors




**Patrick Elliott**  
Chair and Non-Executive Director




**Hugh Toll**  
Chief Executive Officer and Managing Director

**21 August 2024**  
**Sydney**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2024

	Note	June 2024 \$'000	June 2023 \$'000
<b>Continuing operations</b>			
<b>Revenue</b>			
Total revenue	2	397,715	395,265
		<b>397,715</b>	<b>395,265</b>
<b>Add: income</b>			
Other income	3	71	789
Fair value (loss) / gain on biological assets	10	(336)	136
<b>Less: expenses</b>			
Changes in inventories		(2,410)	(1,210)
Raw materials and consumables used		(209,245)	(209,564)
Employee benefits expenses	4	(54,897)	(51,274)
Contractors' expenses		(41,553)	(40,532)
Freight expenses		(26,058)	(29,287)
Depreciation and amortisation expense	4	(24,640)	(23,260)
Selling and marketing expenses		(741)	(836)
Occupancy expenses	4	(1,914)	(1,762)
Other expenses		(21,013)	(19,415)
Finance costs	4	(6,506)	(5,774)
Impairment of goodwill	14	(30,119)	-
		<b>(419,361)</b>	<b>(381,989)</b>
<b>(Loss) / profit before income tax expense</b>		<b>(21,646)</b>	<b>13,276</b>
Income tax expense	5	(4,406)	(3,336)
<b>(Loss) / profit for the year</b>		<b>(26,052)</b>	<b>9,940</b>
<b>Other comprehensive loss that will subsequently be reclassified to (loss) / profit</b>			
Foreign currency translation differences		(338)	(6,636)
Cash flow hedges – effective portion of changes in fair value net of tax		(289)	(327)
<b>Other comprehensive loss, net of tax</b>		<b>(627)</b>	<b>(6,963)</b>
<b>Total comprehensive (loss) / income attributable to: Lynch Group Holdings Limited</b>		<b>(26,679)</b>	<b>2,977</b>
<b>Earnings per share for profit attributable to ordinary shareholders</b>			
	Note	June 2024 Cents	June 2023 Cents
Basic	6	(21.34)	8.14
Diluted	6	(21.34)	8.14

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	June 2024 \$'000	June 2023 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	32,345	36,409
Trade and other receivables	8	19,897	20,034
Inventories	9	10,522	13,271
Biological assets	10	6,039	5,650
Current tax assets	5	-	100
Other assets	11	6,210	4,632
<b>Total current assets</b>		<b>75,013</b>	<b>80,096</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	85,324	86,473
Right-of-use assets	13	41,136	44,057
Intangible assets	14	154,561	191,048
<b>Total non-current assets</b>		<b>281,021</b>	<b>321,578</b>
<b>Total assets</b>		<b>356,034</b>	<b>401,674</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	44,231	46,641
Current tax liabilities	5	5	274
Lease liabilities	16	5,530	4,981
Borrowings	18	4,154	4,368
Provisions	17	8,164	9,078
<b>Total current liabilities</b>		<b>62,084</b>	<b>65,342</b>
<b>Non-current liabilities</b>			
Lease liabilities	16	39,139	40,474
Borrowings	18	50,909	50,761
Provisions	17	3,951	3,669
Deferred tax liabilities	5	1,158	2,902
<b>Total non-current liabilities</b>		<b>95,157</b>	<b>97,806</b>
<b>Total liabilities</b>		<b>157,241</b>	<b>163,148</b>
<b>Net assets</b>		<b>198,793</b>	<b>238,526</b>
<b>EQUITY</b>			
Issued share capital	19	245,653	245,653
Reserves	20	9,111	9,365
Accumulated losses		(55,971)	(16,492)
<b>Total equity</b>		<b>198,793</b>	<b>238,526</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2024

	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Statutory surplus reserve \$'000	Share-based payments reserve \$'000	Cash flow hedge reserve \$'000	Accumulated losses \$'000	Total \$'000
<b>Balance at July 2022</b>		245,653	11,099	2,013	1,169	533	(17,712)	242,755
Profit for the year		-	-	-	-	-	9,940	9,940
Other comprehensive loss for the year		-	(6,636)	-	-	(327)	-	(6,963)
<b>Total comprehensive (loss)/income for the year</b>		<b>-</b>	<b>(6,636)</b>	<b>-</b>	<b>-</b>	<b>(327)</b>	<b>9,940</b>	<b>2,977</b>
Dividends paid	21	-	-	-	-	-	(7,324)	(7,324)
Share-based payments	29	-	-	-	118	-	-	118
Recycling of share-based payments to retained earnings		-	-	-	(865)	-	865	-
Transfer to statutory surplus	20	-	-	2,261	-	-	(2,261)	-
<b>Balance at June 2023</b>		<b>245,653</b>	<b>4,463</b>	<b>4,274</b>	<b>422</b>	<b>206</b>	<b>(16,492)</b>	<b>238,526</b>
Loss for the year		-	-	-	-	-	(26,052)	(26,052)
Other comprehensive loss for the year		-	(338)	-	-	(289)	-	(627)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>(338)</b>	<b>-</b>	<b>-</b>	<b>(289)</b>	<b>(26,052)</b>	<b>(26,679)</b>
Dividends paid	21	-	-	-	-	-	(13,427)	(13,427)
Share-based payments	29	-	-	-	373	-	-	373
<b>Balance at June 2024</b>		<b>245,653</b>	<b>4,125</b>	<b>4,274</b>	<b>795</b>	<b>(83)</b>	<b>(55,971)</b>	<b>198,793</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2024

	Note	June 2024 \$'000	June 2023 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		430,934	429,419
Payments to suppliers and employees		(391,930)	(387,997)
Receipts from government grants and other income		71	789
Interest and other costs of finance paid		(6,356)	(5,624)
Income taxes paid		(6,171)	(4,098)
<b>Net cash generated by operating activities</b>	<b>7</b>	<b>26,548</b>	<b>32,489</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangible assets		(11,534)	(16,204)
<b>Net cash used in investing activities</b>		<b>(11,534)</b>	<b>(16,204)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank loans	18	3,372	5,797
Repayment of bank loans	18	(3,590)	(5,797)
Payment of borrowing establishment expenses	18	-	(375)
Dividends paid	21	(13,427)	(7,324)
Repayment of principal component of lease liabilities	16	(5,355)	(4,692)
<b>Net cash used by financing activities</b>		<b>(19,000)</b>	<b>(12,391)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,986)</b>	<b>3,894</b>
<b>Cash at the beginning of the year</b>		<b>36,409</b>	<b>31,985</b>
Effect of movement in foreign exchange rate		(78)	530
<b>Cash at the end of the year</b>	<b>7</b>	<b>32,345</b>	<b>36,409</b>

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

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## SIGNIFICANT ITEMS

### A. Reporting entity

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

The current reporting period is the financial year ended 30 June 2024. This is the 52-week period from 3 July 2023 to 30 June 2024 and is referred to as **June 2024** throughout the consolidated financial statements and notes to the consolidated financial statements. The comparative reporting period is the financial year ended 2 July 2023. This is the 53-week period from 27 June 2022 to 2 July 2023 and is referred to as **June 2023** throughout the consolidated financial statements and notes to the consolidated financial statements.

### B. Basis of preparation

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

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

The consolidated financial statement were authorised for issue by the Board of Directors on 21 August 2024.

### C. Foreign currency

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

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance date.

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

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

## D. Material accounting policies

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

## E. Critical accounting judgements

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

### Intangible assets

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

## F. Key sources of estimation uncertainty

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

### Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an assessment as to the existence of any indicators of impairment, and if such indicators exist, to then undertake a formal impairment assessment which involves an estimation of the higher of 'fair value less cost of disposal' and 'value in use' of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

As at 31 December 2023, the Group identified that there were indicators of impairment and have conducted impairment testing at that date. As a result of the half-year impairment assessment, the Directors considered it appropriate to recognise an impairment of goodwill of \$30,119,000 in the China Group of CGUs.

As at 30 June 2024, the Group assessed and updated the recoverable amount, and the basis of preparation of the cash flow projections, growth rates and post-tax discount rates, of the China Group of CGUs and determined there was no further impairment.

Further information is set out in Note 14.



## PERFORMANCE

### 1. Segment performance

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

#### Identification of reportable operating segments

The Group is organised into two operating segments:

- **Australia.** The Australian segment operates a vertically integrated production farm and wholesale operation in Australia; and
- **China.** The China segment operates a production farm and distribution operation in China, primarily supplying the domestic China market as well as the Australian segment.

#### Information about reportable operating segments

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

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

#### Seasonality

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

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

#### Major customers

During the year ended June 2024 approximately 71% (June 2023: 69%) of the Group's external revenue was derived from sales to major supermarkets in Australia including Coles, Woolworths, and ALDI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT CONT.

## Intersegment transactions

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

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

June 2024	Australia \$'000	China \$'000	Intersegment eliminations \$'000	Total \$'000
<b>Segment revenue – sales to customers</b>				
Flowers	274,153	85,358	(17,216)	342,295
Plants	55,420	-	-	55,420
	<b>329,573</b>	<b>85,358</b>	<b>(17,216)</b>	<b>397,715</b>
<b>EBITDA</b>	<b>31,003</b>	<b>8,616</b>	<b>-</b>	<b>39,619</b>
Depreciation and amortisation				(24,640)
Finance costs				(6,506)
Impairment of goodwill				(30,119)
<b>Loss before income tax expense</b>				<b>(21,646)</b>
Income tax expense				(4,406)
<b>Loss after income tax expense</b>				<b>(26,052)</b>
<b>Segment assets</b>	<b>333,475<sup>1</sup></b>	<b>144,666<sup>1</sup></b>	<b>(122,107)</b>	<b>356,034</b>
<b>Segment liabilities</b>	<b>138,443</b>	<b>140,905</b>	<b>(122,107)</b>	<b>157,241</b>

<sup>1</sup> Includes capital additions of \$3,452,000 in Australia and \$8,169,000 in China

June 2023	Australia \$'000	China \$'000	Intersegment eliminations \$'000	Total \$'000
<b>Segment revenue – sales to customers</b>				
Flowers	263,642	97,030	(25,490)	335,182
Plants	60,083	-	-	60,083
	<b>323,725</b>	<b>97,030</b>	<b>(25,490)</b>	<b>395,265</b>
<b>EBITDA</b>	<b>20,253</b>	<b>22,057</b>	<b>-</b>	<b>42,310</b>
Depreciation and amortisation				(23,260)
Finance costs				(5,774)
<b>Profit before income tax expense</b>				<b>13,276</b>
Income tax expense				(3,336)
<b>Profit after income tax expense</b>				<b>9,940</b>
<b>Segment assets</b>	<b>337,083<sup>1</sup></b>	<b>186,558<sup>1</sup></b>	<b>(121,967)</b>	<b>401,674</b>
<b>Segment liabilities</b>	<b>139,863</b>	<b>145,252</b>	<b>(121,967)</b>	<b>163,148</b>

<sup>1</sup> Includes capital additions of \$5,960,000 in Australia and \$10,684,000 in China

## 2. Revenue

Revenue is comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
Sales of goods – Flowers	342,295	335,182
Sales of goods – Plants	55,420	60,083
	<b>397,715</b>	<b>395,265</b>

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

### Sales of goods – flowers

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

### Sales of goods – plants

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

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

## 3. Other income

Other income is comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
Government grants	31	289
Insurance proceeds	40	500
	<b>71</b>	<b>789</b>

In the current financial year, the Group received \$31,000 (June 2023: \$289,000) agricultural sector government grants in China.

## 4. Expenses

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

Employee benefit expenses are comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
<b>Employee benefits expenses</b>		
Salaries (including on costs)	49,235	46,397
Superannuation costs	3,526	3,097
Leave entitlements	286	51
Other employee expenses	1,850	1,729
	<b>54,897</b>	<b>51,274</b>

Depreciation and amortisation expenses are comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
<b>Depreciation and amortisation expenses</b>		
Depreciation of property, plant and equipment	12,186	11,149
Depreciation of right-of-use assets	6,392	5,957
Amortisation of intangible assets	6,062	6,154
	<b>24,640</b>	<b>23,260</b>

Occupancy expenses are comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
<b>Occupancy expenses</b>		
Variable lease payments	1,737	1,702
Short term lease payments	177	60
	<b>1,914</b>	<b>1,762</b>

Finance costs are comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
<b>Finance costs</b>		
Interest expense on borrowings	3,802	3,154
Amortisation of borrowing costs	150	150
Interest expense on lease liabilities	2,451	2,375
Interest on contractual make good obligations	103	95
	<b>6,506</b>	<b>5,774</b>



## 5. Income tax

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

	June 2024 \$'000s	June 2023 \$'000s
<b>Income tax expense</b>		
Current tax	6,003	3,767
Prior year adjustment	(13)	(60)
Deferred tax – origination and reversal of temporary differences	(1,584)	(371)
<b>Aggregate income tax expense</b>	<b>4,406</b>	<b>3,336</b>
<b>Numerical reconciliation of income tax expense and tax at the statutory rate:</b>		
<b>(Loss)/profit before income tax expense</b>	<b>(21,646)</b>	<b>13,276</b>
Tax at the statutory tax rate of 30% (2023: 30%)	(6,494)	3,983
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill	9,036	-
Other non-deductible items	239	38
Prior year adjustments	(13)	(60)
	<b>2,768</b>	<b>3,961</b>
Difference in overseas tax rates	1,638	(625)
<b>Income tax expense</b>	<b>4,406</b>	<b>3,336</b>

### Current and deferred tax for the year

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT CONT.

Deferred tax assets and liabilities comprised temporary differences attributable to:

	June 2024 \$'000s	June 2023 \$'000s
<b>Deferred tax assets</b>		
Lease liabilities	12,232	12,328
Employee benefits	3,006	2,637
Section 40-880 expenditure	597	1,242
Allowance for expected credit losses	63	101
Inventories	564	616
Other provisions	608	774
Trade and other payables	1,300	832
	<b>18,370</b>	<b>18,530</b>
<b>Deferred tax liabilities</b>		
Intangible assets	7,216	8,603
Right-of-use assets	11,291	11,802
Property, plant and equipment	1,021	1,027
	<b>19,528</b>	<b>21,432</b>
<b>Net deferred tax liability</b>	<b>1,158</b>	<b>2,902</b>

The movement of net deferred tax liabilities during the year is as follows:

	June 2024 \$'000s	June 2023 \$'000s
<b>Movements</b>		
Opening balance	2,902	3,426
Credited to profit or loss	(1,584)	(371)
Credited to other comprehensive income	(160)	(153)
<b>Closing balance</b>	<b>1,158</b>	<b>2,902</b>

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

	June 2024 \$'000s	June 2023 \$'000s
<b>Current tax asset</b>	-	100
<b>Current tax liability</b>	5	274

## 5. Income tax cont.

### Current tax

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

### Deferred tax

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

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

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

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

### Tax consolidation

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

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

### GST

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## 6. Earnings per share (EPS)

	June 2024 \$'000s	June 2023 \$'000s
(Loss)/profit after tax attributable to owners of the company	(26,052)	9,940
	<b>Number</b>	<b>Number</b>
Weighted average number of Ordinary shares – Basic EPS	122,066	122,066
Weighted average number of shares – Diluted EPS	122,066	122,066
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(21.34)	8.14
Diluted earnings per share	(21.34)	8.14

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to consider the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. At June 2024 no shares are assumed to have been issued for nil consideration, as a result of the Option exercise cost exceeding the average share price during the period.



Australian supermarket display



## ASSETS AND LIABILITIES

### 7. Cash and cash equivalents

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

	June 2024 \$'000s	June 2023 \$'000s
Cash at bank	32,345	36,409
	<b>32,345</b>	<b>36,409</b>

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

The reconciliation of (loss)/profit after income tax expense to net cash from operating activities is as follows:

	June 2024 \$'000s	June 2023 \$'000s
<b>(Loss)/profit after income tax expense for the year</b>	<b>(26,052)</b>	<b>9,940</b>
Adjustments for:		
Depreciation and amortisation	24,640	23,260
Impairment of goodwill	30,119	-
Share-based payments	373	118
Amortisation of borrowing costs	150	150
Net fair value loss/(gain) on biological assets	336	(136)
<b>Change in operating assets and liabilities:</b>		
Decrease in trade and other receivables	137	1,936
Decrease in inventories	2,749	1,808
Increase in biological assets	(389)	(1,272)
Decrease in current tax assets	100	66
Increase in other assets	(1,578)	(3)
Decrease in trade and other payables	(1,392)	(4,101)
Decrease in current tax liabilities	(269)	(186)
Decrease in deferred tax liabilities	(1,744)	(524)
(Decrease)/increase in provisions	(632)	1,433
<b>Net cash from operating activities</b>	<b>26,548</b>	<b>32,489</b>

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

## 8. Trade and other receivables

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

	June 2024 \$'000s	June 2023 \$'000s
Trade receivables and other receivables	20,109	20,371
Provision for expected credit losses	(212)	(337)
	<b>19,897</b>	<b>20,034</b>

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

### Allowance for expected credit losses

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

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

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	June 2024 %	June 2023 %	June 2024 \$'000	June 2023 \$'000	June 2024 \$'000	June 2023 \$'000
Not overdue	<0.1%	<0.1%	17,388	17,737	5	4
0 to 3 months overdue	0.8%	0.6%	2,050	2,216	17	13
3 to 6 months overdue	5.2%	16.9%	485	118	25	20
Over 6 months overdue	88.5%	100.0%	186	300	165	300
			<b>20,109</b>	<b>20,371</b>	<b>212</b>	<b>337</b>

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

	June 2024 \$'000s	June 2023 \$'000s
<b>Current</b>		
Opening balance	337	182
Expected credit losses recognised	-	155
Unused amounts reversed; net of additional provisions written off	(125)	-
<b>Closing Balance</b>	<b>212</b>	<b>337</b>

## 9. Inventories

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

	June 2024 \$'000s	June 2023 \$'000s
Raw and packaging materials at cost	10,245	11,749
Finished goods at cost	1,880	2,785
Obsolescence provision	(1,603)	(1,263)
	<b>10,522</b>	<b>13,271</b>

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

Finished goods are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis and comprise of purchase and delivery costs, net of rebates and discounts received or receivable. Costs in relation to biological assets are transferred to inventory at fair value at the date of harvest. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

## 10. Biological assets

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

	June 2024 \$'000s	June 2023 \$'000s
Flowers	1,928	1,893
Plants	4,111	3,757
	<b>6,039</b>	<b>5,650</b>

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

	June 2024 \$'000s	June 2023 \$'000s
Carrying amount at start of the year	5,650	4,378
Net fair value (decrease)/increase <sup>1</sup>	(336)	136
Increase due to purchases	74,929	71,611
Decrease due to harvest <sup>1</sup>	(74,204)	(70,475)
<b>Carrying amount at end of the year</b>	<b>6,039</b>	<b>5,650</b>

<sup>1</sup> 'Net fair value (decrease) / increase' and 'Decrease due to harvest' amounts exclude fair value movements (in excess of cost) relating to items sold during the period totalling \$7,349,000 (June 2023: \$19,156,000). Therefore the 'net fair value decrease' shown of \$336,000 (June 2023: increase of \$136,000) represents the change in the fair value amount included in closing biological assets compared to opening biological assets. The 'decrease due to harvest' of \$74,204,000 (June 2023: \$70,475,000) represents the costs of biological assets harvested during the period, excluding fair value movements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT CONT.

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

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

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

### 11. Other assets

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

	June 2024 \$'000s	June 2023 \$'000s
Prepayments	6,210	3,927
Foreign exchange contracts at fair value	-	705
	<b>6,210</b>	<b>4,632</b>



## 12. Property, plant and equipment

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

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Bearer plants \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>						
<b>At July 2022</b>	<b>44,302</b>	<b>44,038</b>	<b>1,868</b>	<b>8,220</b>	<b>11,762</b>	<b>110,190</b>
Additions/(transfers)	9,203	12,943	135	1,086	(6,727)	16,640
Exchange differences	(2,033)	(1,576)	(21)	(267)	(240)	(4,137)
Disposals	(681)	(1,707)	(153)	(2,553)	-	(5,094)
<b>At June 2023</b>	<b>50,791</b>	<b>53,698</b>	<b>1,829</b>	<b>6,486</b>	<b>4,795</b>	<b>117,599</b>
Additions/(transfers)	7,083	6,536	67	284	(2,389)	11,581
Exchange differences	(95)	(103)	(1)	(16)	(12)	(227)
Disposals	(1,224)	(1,084)	(14)	(253)	-	(2,575)
<b>At June 2024</b>	<b>56,555</b>	<b>59,047</b>	<b>1,881</b>	<b>6,501</b>	<b>2,394</b>	<b>126,378</b>
<b>Accumulated depreciation</b>						
<b>At July 2022</b>	<b>(4,960)</b>	<b>(17,088)</b>	<b>(1,145)</b>	<b>(2,815)</b>	-	<b>(26,008)</b>
Charge for the year	(1,667)	(7,612)	(182)	(1,688)	-	(11,149)
Exchange differences	243	951	16	176	-	1,386
Eliminated on disposals	341	1,612	139	2,553	-	4,645
<b>At June 2023</b>	<b>(6,043)</b>	<b>(22,137)</b>	<b>(1,172)</b>	<b>(1,774)</b>	-	<b>(31,126)</b>
Charge for the year	(1,705)	(9,032)	(177)	(1,272)	-	(12,186)
Exchange differences	37	142	3	14	-	196
Eliminated on disposals	1,153	642	14	253	-	2,062
<b>At June 2024</b>	<b>(6,558)</b>	<b>(30,385)</b>	<b>(1,332)</b>	<b>(2,779)</b>	-	<b>(41,054)</b>
<b>Carrying amount</b>						
<b>At June 2023</b>	<b>44,748</b>	<b>31,561</b>	<b>657</b>	<b>4,712</b>	<b>4,795</b>	<b>86,473</b>
<b>At June 2024</b>	<b>49,997</b>	<b>28,662</b>	<b>549</b>	<b>3,722</b>	<b>2,394</b>	<b>85,324</b>

## 12. Property, plant and equipment cont.

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

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest Group of CGUs for which a reasonable and consistent allocation basis can be identified.

### Leasehold improvements

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

### Plant and equipment

Plant and equipment are depreciated over their useful life which is individually defined for each asset. Plant and equipment are considered to have a useful life of between 3 and 20 years.

### Motor vehicles

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

### Bearer plants

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

### Construction in progress

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

### 13. Right-of-use assets

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

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

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

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

	Land and buildings \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
<b>Right-of-use assets</b>				
<b>At July 2022</b>	<b>25,357</b>	<b>72</b>	<b>441</b>	<b>25,870</b>
Additions	22,702	-	207	22,909
Modifications	266	(36)	-	230
Remeasurements	411	-	-	411
Make good assets	868	-	-	868
Depreciation expense	(5,879)	(36)	(42)	(5,957)
Foreign exchange	(244)	-	(30)	(274)
<b>At June 2023</b>	<b>43,481</b>	<b>-</b>	<b>576</b>	<b>44,057</b>
Additions	2,134	-	-	2,134
Modifications	1,342	-	-	1,342
Remeasurements	1,179	-	-	1,179
Make-good assets	150	-	-	150
Reversal of make-good assets	(1,330)	-	-	(1,330)
Depreciation expense	(6,296)	-	(96)	(6,392)
Foreign exchange	(4)	-	-	(4)
<b>At June 2024</b>	<b>40,656</b>	<b>-</b>	<b>480</b>	<b>41,136</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT CONT.

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

<b>Net book value (cost, less accumulated depreciation)</b>	<b>June 2024 \$'000s</b>	<b>June 2023 \$'000s</b>
Right-of-use land and buildings – cost	64,824	61,353
Less: Accumulated depreciation	(24,168)	(17,872)
	<b>40,656</b>	<b>43,481</b>
Right-of-use motor vehicles – cost	310	310
Less: Accumulated depreciation	(310)	(310)
	<b>-</b>	<b>-</b>
Right-of-use plant and equipment – cost	874	874
Less: Accumulated depreciation	(394)	(298)
	<b>480</b>	<b>576</b>
	<b>41,136</b>	<b>44,057</b>

### Land and buildings

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

### Motor vehicles

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

### Plant and equipment

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

### Short term and low value

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



## 14. Intangible assets

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

	Goodwill \$'000	Brand names \$'000	Databases \$'000	Computer software \$'000	Customer relationships \$'000	Total \$'000
<b>Cost</b>						
<b>At July 2022</b>	<b>147,647</b>	<b>17,274</b>	<b>6,589</b>	<b>7,440</b>	<b>60,962</b>	<b>239,912</b>
Additions	-	-	-	4	-	4
Exchange differences	(2,319)	(243)	-	(33)	(755)	(3,350)
Disposals	-	-	-	(736)	-	(736)
<b>At June 2023</b>	<b>145,328</b>	<b>17,031</b>	<b>6,589</b>	<b>6,675</b>	<b>60,207</b>	<b>235,830</b>
Additions	-	-	-	40	-	40
Exchange differences	(329)	(8)	-	(1)	(32)	(370)
<b>At June 2024</b>	<b>144,999</b>	<b>17,023</b>	<b>6,589</b>	<b>6,714</b>	<b>60,175</b>	<b>235,500</b>
<b>Amortisation</b>						
<b>At July 2022</b>	<b>-</b>	<b>-</b>	<b>(6,589)</b>	<b>(7,099)</b>	<b>(25,676)</b>	<b>(39,364)</b>
Charge for the year	-	-	-	(104)	(6,050)	(6,154)
Eliminated on disposal	-	-	-	736	-	736
<b>At June 2023</b>	<b>-</b>	<b>-</b>	<b>(6,589)</b>	<b>(6,467)</b>	<b>(31,726)</b>	<b>(44,782)</b>
Impairment loss	(30,119)	-	-	-	-	(30,119)
Charge for the year	-	-	-	(42)	(6,020)	(6,062)
Exchange differences	-	-	-	-	24	24
<b>At June 2024</b>	<b>(30,119)</b>	<b>-</b>	<b>(6,589)</b>	<b>(6,509)</b>	<b>(37,722)</b>	<b>(80,939)</b>
<b>Carrying amount</b>						
<b>At June 2023</b>	<b>145,328</b>	<b>17,031</b>	<b>-</b>	<b>208</b>	<b>28,481</b>	<b>191,048</b>
<b>At June 2024</b>	<b>114,880</b>	<b>17,023</b>	<b>-</b>	<b>205</b>	<b>22,453</b>	<b>154,561</b>

## 14. Intangible assets cont.

### Goodwill

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

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

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

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

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

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

### Brand names

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

### Databases

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

### Computer software

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

### Customer relationships

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

### Brands/Databases/Customer Relationships acquired in a business combination

Amortisation is charged on a straight-line basis over the estimated useful life of finite life intangible assets.

### Allocation of indefinite life intangible assets to cash generating units

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

To date, such allocations have been made to the Australian and China Group of CGUs as follows:

	June 2024 \$'000s	June 2023 \$'000s
<b>Goodwill</b>		
Australia Group of CGUs	86,605	86,605
China Group of CGUs	28,275	58,723
	<b>114,880</b>	<b>145,328</b>
<b>Brand names</b>		
Australia Group of CGUs	10,870	10,870
China Group of CGUs	6,153	6,161
	<b>17,023</b>	<b>17,031</b>

### Impairment

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior periods. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### Impairment testing: Australia Group of CGUs

At June 2024 and June 2023 financial year ends, the Directors assessed the recoverable amount of the Australia Group of CGUs and determined there was no impairment. The recoverable amount of the Group of CGUs (including Goodwill) was determined based on value in use calculations using cash flow projections based on the financial budget approved by the Directors covering a five-year period which was extrapolated into perpetuity using a growth rate of 2.0% (June 2023: 2.0%). The net cash flows were then discounted using a post-tax discount of 10.5% (June 2023: 10.4%).

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

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

### Impairment testing: China Group of CGUs

At June 2024, December 2023 and June 2023 financial or half-year ends, the Directors assessed the recoverable amount of the China Group of CGUs. Determining whether goodwill and other intangible assets are impaired requires an assessment as to the existence of any indicators of impairment, and if such indicators exist, to then undertake a formal impairment assessment which involves an estimation of the higher of 'fair value less cost of disposal' and 'value in use' of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Deteriorating levels of consumer confidence in China during the current financial year have impacted demand for and pricing of the Group's products in the China domestic market. Consumer confidence and spending in the China market remain weak for discretionary items. These conditions have resulted in a decline in profitability of the China Group of CGUs.

## 14. Intangible assets cont.

The Group remain confident in the recovery of pricing and optimistic in the long-term opportunity and profitability of the China market and have prepared a value-in-use model which reflects a recovery in pricing throughout FY25-FY27 followed by consistent growth assumptions to the end of a 5-year discrete period. A terminal value is then determined based on an extrapolation of cash flows beyond the 5-year discrete period using a terminal growth rate which does not exceed the long-term inflation rate. Due to the increased uncertainty with respect to the challenging economic conditions expected in China for the next twelve months and beyond, along with a softening in pricing resulting from these conditions, the rate used to discount the cash flows has included an additional premium to reflect the elevated risk.

As at December 2023 following the result of the impairment assessment, the Directors considered it appropriate to recognise an impairment of goodwill of \$30,119,000 in the China Group of CGUs.

The following key assumptions were used in determining the value-in-use valuation model for the China Group of CGUs:

- Post-tax discount rate: 14.65% (June 2023: 11.50%)
- Terminal growth rate: 2.50% (June 2023: 2.50%)
- Revenue growth rate based on a gradual price recovery in FY25 - FY27 to approximate FY22 prices and a consistent growth rate of 2.50% thereafter (June 2023: 2.50%)
- Cost of goods sold (COGS) escalation: 2.5% (June 2023: 2.50%)

As at June 2024, the Directors assessed and updated the recoverable amount, and the basis of preparation of the cash flow projections, growth rates and post-tax discount rates, of the China Group of CGUs and determined there was no further impairment.

The following key assumptions were used in determining the value-in-use valuation model for the China Group of CGUs:

- Post-tax discount rate: 14.95% (June 2023: 11.50%)
- Terminal growth rate: 2.50% (June 2023: 2.50%)
- Revenue growth rate based on a gradual price recovery in FY25 - FY27 to approximate FY22 prices and a consistent growth rate of 2.50% thereafter (June 2023: 2.50%)
- Cost of goods sold (COGS) escalation: 2.5% (June 2023: 2.50%)

These assumptions are consistent with assumptions used in as at December 2023 with the exception of the post-tax discount rate which has increased from 14.65% to 14.95%. The Directors have increased this discount rate to take into account the continued period of subdued consumer confidence and continued period of weaker profitability in the China Group of CGUs.

The Directors remain confident in the medium to long term outlook for the floral market in China.

The Group has also performed a sensitivity analysis considering reasonable changes in key assumptions, including discount rate, terminal growth rate, revenue growth and COGS escalation rates.

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to a further decrease in the recoverable amount of the China Group of CGUs.

	Change in impairment recognised	
	Sensitivity applied	Unfavourable \$'000s
Post tax discount rate	+ 1.0%	(9,766)
Terminal growth rate	- 0.5%	(3,287)
Revenue growth rate	-1.0%	(11,224)
COGS escalation	-1.0%	(6,102)



## 15. Trade and other payables

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

	June 2024 \$'000s	June 2023 \$'000s
Trade payables	29,172	32,460
Contract liabilities	875	816
Other payables and accruals	14,184	13,365
	<b>44,231</b>	<b>46,641</b>

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

## 16. Lease liabilities

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

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

	June 2024 \$'000s	June 2023 \$'000s
<b>Carrying amount at start of year</b>	<b>45,455</b>	<b>28,236</b>
Additions	2,134	21,580
Modifications	1,197	266
Remeasurements	1,179	367
Foreign exchange movements	59	(302)
Lease payments	(7,806)	(7,067)
Interest expense	2,451	2,375
<b>Carrying amount at the end of year</b>	<b>44,669</b>	<b>45,455</b>

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

	June 2024 \$'000s	June 2023 \$'000s
Current liability	5,530	4,981
Non-current liability	39,139	40,474
	<b>44,669</b>	<b>45,455</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT CONT.

The Group leases land and buildings for its production facilities, farms offices and warehouses under agreements of between 3 to 17 years with, in some cases, options to extend. Lease liabilities have been recognised for option periods where the likelihood of an extension is deemed to be reasonably certain at inception date. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between 2 to 5 years and office equipment and motor vehicles under agreements of between 2 to 5 years respectively. The Group has leases which are either short-term or low-value, and under its policy related payments have been expensed as incurred and not capitalised as right-of-use assets.

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

	June 2024 \$'000s	June 2023 \$'000s
Year 1	7,944	7,290
Year 2	7,896	7,224
Year 3	7,258	6,908
Year 4	7,276	6,270
Year 5	4,810	6,310
Onwards	25,697	28,797
	<b>60,881</b>	<b>62,799</b>
Unearned interest	(16,212)	(17,344)
	<b>44,669</b>	<b>45,455</b>

The weighted average incremental borrowing rate that has been used to calculate the maturity profile is 5.8% (June 2023: 6.2%).

### 17. Provisions

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

	June 2024 \$'000s	June 2023 \$'000s
<b>Current</b>		
Employee benefits	8,102	7,721
Other – contractual make-good obligations	62	1,357
	<b>8,164</b>	<b>9,078</b>
<b>Non-current</b>		
Employee benefits	1,133	1,069
Other – contractual make-good obligations	2,818	2,600
	<b>3,951</b>	<b>3,669</b>
	<b>12,115</b>	<b>12,747</b>

### Employee benefits

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

### Contractual make-good obligations

Contractual make-good obligations comprise estimates of contractual make-good obligations for property leases on their expiry. Movement in contractual make good obligation provision is as follows:

	June 2024 \$'000s	June 2023 \$'000s
<b>Carrying amount at start of year</b>	<b>3,957</b>	<b>2,502</b>
Recognition of contractual make-good obligations	150	2,290
Reversal of make-good obligations	(1,330)	-
Make-good obligations settled	-	(930)
Interest expense	103	95
<b>Carrying amount at the end of year</b>	<b>2,880</b>	<b>3,957</b>

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

In China, the Group is party to certain land lease arrangements. The Directors consider, based on legal advice, that it is not probable that an outflow will be required for restoration of certain leased land. Accordingly, no make good obligation has been recognised for leases where it is not probable that an outflow will be required. The reversal of make-good obligations of \$1,330,000 in the current year relates to a previously recognised make-good obligation in China which the Directors consider to be not probable that an outflow will be required.

## CAPITAL

### 18. Borrowings

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

	June 2024 \$'000s	June 2023 \$'000s
<b>Current, secured – at amortised cost</b>		
Bank loans – commercial bills	4,154	4,368
<b>Total current borrowings</b>	<b>4,154</b>	<b>4,368</b>
<b>Non-current, Secured – at amortised cost</b>		
Bank loans – term facility	50,000	50,000
Bank loans – commercial bills	1,246	1,248
Capitalised borrowing costs – term facility	(337)	(487)
<b>Total non-current borrowings</b>	<b>50,909</b>	<b>50,761</b>
<b>Total borrowings</b>	<b>55,063</b>	<b>55,129</b>

Movement in the Group's borrowing for the years to June 2024 and June 2023 is as follows:

	Bank loans – term facilities \$'000	Bank loans – commercial bills \$'000	Total \$'000
<b>Carrying amount at July 2022</b>	<b>49,738</b>	<b>5,723</b>	<b>55,461</b>
Proceeds from bank borrowings	-	5,797	5,797
Repayment of bank borrowings	-	(5,797)	(5,797)
Exchange differences	-	(107)	(107)
Debt establishment fees	(375)	-	(375)
Amortisation of prepaid borrowing establishment expenses	150	-	150
<b>Carrying amount at June 2023</b>	<b>49,513</b>	<b>5,616</b>	<b>55,129</b>
Proceeds from bank borrowings	-	3,372	3,372
Repayment of bank borrowings	-	(3,590)	(3,590)
Exchange differences	-	2	2
Amortisation of prepaid borrowing establishment expenses	150	-	150
<b>Carrying amount at June 2024</b>	<b>49,663</b>	<b>5,400</b>	<b>55,063</b>

Borrowings are presented net of capitalised loan establishment fees which are amortised over the life of the applicable facility.



Bank loans consist of term facilities in Australia and commercial bills in China. Key terms of the Group's banking facilities are as follows:

#### Australia

- \$50,000,000 term facility fully drawn with Commonwealth Bank of Australia maturing in October 2026
- \$25,000,000 capital expenditure, working capital and guarantee facility with Commonwealth Bank of Australia maturing in October 2026. The facility was drawn at balance date only in respect of bank guarantees provided totalling \$2,533,000 (June 2023: \$2,587,000)
- The Australia facility is secured by a security interest over all present and after-acquired property of the Group's business in Australia

#### China

- \$2,908,000 drawn commercial bank bill facility with the Bank of China maturing in instalments between October 2024 and June 2025. This facility is secured by a charge over some property, plant and equipment owned by the Group in China
- \$2,492,000 drawn commercial bank bill facility with the Yunan Rural Credit Cooperatives maturing in instalments between August 2024 and December 2026. This facility is secured by a charge over the ordinary share capital of Van den Berg Asia Holdings Limited and some property, plant and equipment owned by the Group in China
- There are no undrawn bank facilities in China at balance date

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

## 19. Issued share capital

Issued share capital is comprised of the following:

	Number	\$000s	Average price paid per share
<b>Ordinary shares</b>			
<b>At June 2024</b>	<b>122,066,112</b>	<b>245,653</b>	<b>\$2.01</b>
<b>At June 2023</b>	<b>122,066,112</b>	<b>245,653</b>	<b>\$2.01</b>

#### Ordinary shares

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

## 20. Reserves

Reserves are comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
Foreign currency translation	4,125	4,463
Statutory surplus	4,274	4,274
Share-based payments	795	422
Cash flow hedge	(83)	206
	<b>9,111</b>	<b>9,365</b>

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

	Foreign currency translation \$'000s	Statutory surplus \$'000s	Share-based payments \$'000s	Cash flow hedge \$'000s	Total \$'000s
<b>Balance at July 2022</b>	<b>11,099</b>	<b>2,013</b>	<b>1,169</b>	<b>533</b>	<b>14,814</b>
Foreign currency translation	(6,636)	-	-	-	(6,636)
Transfer from retained profits	-	2,261	-	-	2,261
Recycling of share-based payments to retained earnings	-	-	(865)	-	(865)
Share-based payments	-	-	118	-	118
Cash flow hedge	-	-	-	(327)	(327)
<b>Balance at June 2023</b>	<b>4,463</b>	<b>4,274</b>	<b>422</b>	<b>206</b>	<b>9,365</b>
Foreign currency translation	(338)	-	-	-	(338)
Share-based payments	-	-	373	-	373
Cash flow hedge	-	-	-	(289)	(289)
<b>Balance at June 2024</b>	<b>4,125</b>	<b>4,274</b>	<b>795</b>	<b>(83)</b>	<b>9,111</b>

### Foreign currency translation

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

### Share-based payments

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

### Statutory surplus

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

### Cash flow hedge

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

## 21. Dividends

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

	June 2024 \$'000s	June 2023 \$'000s
Fully franked cash dividends declared and paid	13,427	7,324
	<b>13,427</b>	<b>7,324</b>

Movement and available franking credits are as follows:

Franking credits based on a tax rate of 30%	June 2024 \$'000s	June 2023 \$'000s
Carrying amount at the start of the year	14,054	15,575
Generated during the year	5,740	1,618
Utilised during the year	(5,755)	(3,139)
<b>Franking credits available for subsequent financial years</b>	<b>14,039</b>	<b>14,054</b>

## 22. Contingent liabilities

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

## 23. Financial instruments

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

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

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

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

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

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

All financial liabilities are measured 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.

## 23. Financial instruments cont.

### 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.

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.

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.

### Financial risk management objectives

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

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

### Market risk – foreign currency transaction risk

#### US Dollar

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

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

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

Consolidated	June 2024 USD exposure \$'000	June 2024 AUD equivalent \$'000	June 2023 USD exposure \$'000	June 2023 AUD equivalent \$'000
Foreign currency trade payables	1,952	2,946	2,787	4,203

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



	Movement in AUD/USD exchange rate %	(Decrease)/increase in profit or loss
<b>As at June 2024</b>		
Foreign currency trade payables	+10%	(295)
	-10%	295
<b>As at June 2023</b>		
Foreign currency trade payables	+10%	(420)
	-10%	420

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

#### Chinese Yuan

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

Noted below is the Group's profit for the year ending June 2024 and the year ending June 2023 attributable to Chinese Yuan (CNY) would have on profit or loss reported for the year as follows:

	June 2024 CNY exposure \$'000	June 2024 AUD equivalent \$'000	June 2023 CNY exposure \$'000	June 2023 AUD equivalent \$'000
<b>Consolidated</b>				
Chinese Yuan (CNY) profit for the year after tax	(175,128)	(36,882)	39,775	8,484

The sensitivity of the Group's translated foreign currency risk is estimated by assessing the impact that a 10% increase and a 10% decrease in the AUD / CNY exchanges rate would have on profit or loss reported for the year ending June 2024 and June 2023:

Chinese Yuan profit or loss	Movement in annual average AUD/CNY exchange rate %	Increase / (decrease) in profit or loss \$'000
For the year ending June 2024	+10%	(3,688)
	-10%	3,688
For the year ending June 2023	+10%	848
	-10%	(848)

## 23. Financial instruments cont.

### Market risk – price risk

The Group is not exposed to any significant price risk.

### Market risk – interest rate risk

The Group's main interest rate risk arises from cash on hand and borrowings which are not presently hedged. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings as at June 2024 of \$55,063,000 (June 2023: \$55,129,000) are variable rate principal and interest payment loans. Minimum principal repayments of \$4,154,000 (June 2023: \$4,368,000) are due during the year ending June 2024.

The below table considers the impact to profit or loss of a movement in the interest rates for the full current year on the outstanding borrowing balance as at June 2024:

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

### Market risk – credit risk

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

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

At June 2024, the Group had 12 customers (June 2023: 9) that owed it more than \$200,000 each and accounted for approximately 88% (June 2023: 85%) of all the receivables outstanding. Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity, and a failure to make contractual payments for a period greater than 1 year.

### Market risk – liquidity risk

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

### Financing arrangements

Undrawn borrowing facilities at the reporting date:

	<b>June 2024 \$'000s</b>	<b>June 2023 \$'000s</b>
Capital expenditure, working capital and bank guarantee facility	25,000	25,000
Bank guarantees	(2,533)	(2,587)
	<b>22,467</b>	<b>22,413</b>

**Remaining contractual maturities**

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

	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>June 2024</b>						
<b>Non-derivatives</b>						
<b>Non-interest bearing</b>						
Trade payables	-	29,172	-	-	-	29,172
Contract liabilities	-	875	-	-	-	875
Other payables	-	14,184	-	-	-	14,184
<b>Interest-bearing – variable</b>						
Borrowings – terms facilities	6.6%	3,300	51,918	-	-	55,218
Borrowings – commercial bills	5.1%	4,533	1,306	-	-	5,839
<b>Interest-bearing – fixed rate</b>						
Lease liability	5.8%	7,944	7,896	19,344	25,697	60,881
<b>Total non-derivatives</b>		<b>60,008</b>	<b>61,120</b>	<b>19,344</b>	<b>25,697</b>	<b>166,169</b>
<b>Derivatives</b>						
Forward foreign exchange contracts inflow	-	6	-	-	-	6
<b>Total derivatives</b>		<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>June 2023</b>						
<b>Non-derivatives</b>						
<b>Non-interest bearing</b>						
Trade payables	-	32,460	-	-	-	32,460
Contract liabilities	-	816	-	-	-	816
Other payables	-	13,365	-	-	-	13,365
<b>Interest-bearing – variable</b>						
Borrowings – terms facilities	6.7%	3,325	3,325	51,856	-	58,506
Borrowings – commercial bills	5.2%	4,576	1,254	-	-	5,830
<b>Interest-bearing – fixed rate</b>						
Lease liability	6.2%	7,290	7,224	19,488	28,797	62,799
<b>Total non-derivatives</b>		<b>61,832</b>	<b>11,803</b>	<b>71,344</b>	<b>28,797</b>	<b>173,776</b>
<b>Derivatives</b>						
Forward foreign exchange contracts inflow	-	(705)	-	-	-	(705)
<b>Total derivatives</b>		<b>(705)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(705)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT CONT.

Derivative financial instruments are comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
<b>(Current liabilities)/current assets</b>		
Foreign exchange contracts at fair value	(6)	705
	<b>(6)</b>	<b>705</b>

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

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

## 24. Fair value measurement

### Fair value hierarchy

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

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

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
<b>June 2024</b>				
<b>Assets / (liabilities)</b>				
Biological assets	-	-	6,039	6,039
Derivatives – forward foreign exchange contracts	-	(6)	-	(6)
	<b>-</b>	<b>(6)</b>	<b>6,039</b>	<b>6,033</b>
<b>June 2023</b>				
<b>Assets / (liabilities)</b>				
Biological assets	-	-	5,650	5,650
Derivatives – forward foreign exchange contracts	-	705	-	705
	<b>-</b>	<b>705</b>	<b>5,650</b>	<b>6,355</b>



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

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

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

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.



Group greenhouse facility – China



## GROUP STRUCTURE

### 25. List of subsidiaries

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

Subsidiaries	Place of incorporation	June 2024	June 2023
Lynch Group Bidco Pty Limited	Australia	100%	100%
Lynch Group Australia Holdings Pty Limited	Australia	100%	100%
Lynch Fresh Holdings Pty Limited	Australia	100%	100%
Lynch Fresh Pty Limited	Australia	100%	100%
Lynch Group Australia Pty Limited	Australia	100%	100%
Lynch Flowers Victoria Pty Ltd	Australia	100%	100%
Leo Lynch & Sons (Qld) Pty. Limited	Australia	100%	100%
Lynch Manufacturing Group Pty Ltd	Australia	100%	100%
Lynch Manufacturing NSW Pty Ltd	Australia	100%	100%
Lynch Manufacturing Victoria Pty Ltd	Australia	100%	100%
Lynch Manufacturing QLD Pty Ltd	Australia	100%	100%
Lynch Manufacturing W.A. Pty Ltd	Australia	100%	100%
Lynch Administration Pty Ltd	Australia	100%	100%
Lynch China Pty Limited	Australia	100%	100%
Lynch Admin Services Pty Ltd	Australia	100%	100%
Lynch Flowers (W.A.) Pty Ltd	Australia	100%	100%
Lynch Market Flowers Brisbane Pty Ltd	Australia	100%	100%
Exauflor Pty Ltd	Australia	100%	100%
The Lynch Group of Companies Pty Limited	Australia	100%	100%
Gladlands Flowers Pty Ltd	Australia	100%	100%
Gladlands Flowers Unit Trust	Australia	100%	100%
Pine Valley (QLD) Pty Ltd	Australia	100%	100%
Australiawide Flowers Pty Ltd	Australia	100%	100%
Lynch China (HK) Limited	Hong Kong	100%	100%
Yunnan Lynch Horticulture Company Limited	China	100%	100%
Yunnan Lynch Agriculture Company Limited	China	100%	100%
Lynch (Shanghai) International Trading Company Ltd	China	100%	100%
Lynch Trading (Yunnan) Company Ltd	China	100%	100%
Van den Berg Asia Holding Limited	Hong Kong	100%	100%
Kunming Fangdebo'erge Rose Supreme Floral Co., Ltd	China	100%	100%
Van Den Berg Horticulture (Yunnan) Co., Ltd	China	100%	100%
Kunming Van Den Berg Trading (Dounan) Co., Ltd	China	100%	100%
Gefa Flowers (Suzhou) Co., Ltd	China	100%	100%

**Australian tax consolidated group**

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

**Deed of cross guarantee**

All Australian entities with the exception of Trustee of Gladlands Flowers Unit Trust are wholly owned subsidiaries which have entered into a deed of cross guarantee (refer to Note 28) with company pursuant to ASIC Corporation Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.

**Secured borrowing facility**

All Australian entities are grantors under the secured borrowing facility.

**26. Related party transactions****Associate and subsidiaries**

Refer to Note 25 which includes a list of the Group's subsidiaries.

**Key management personnel**

Transactions with key management personnel are set out in Note 30.

**Transactions with related parties**

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

**27. Parent entity disclosures**

The Parent entity is Lynch Group Holdings Limited. Below is the supplementary information about the parent entity:

<b>Summarised Statement of Financial Position of the Lynch Group Holdings Limited</b>	<b>June 2024 \$'000s</b>	<b>June 2023 \$'000s</b>
Total current assets	-	100
Total non-current assets	284,404	285,738
<b>Total assets</b>	<b>284,404</b>	<b>285,838</b>
Total current liabilities	9	-
Total non-current liabilities	20,571	20,571
<b>Total liabilities</b>	<b>20,580</b>	<b>20,571</b>
<b>Net assets</b>	<b>263,824</b>	<b>265,267</b>
Issued share capital	245,653	245,653
Reserves	795	422
Retained earnings	17,376	19,192
<b>Total equity</b>	<b>263,824</b>	<b>265,267</b>
<b>Statement of profit or loss and other comprehensive income</b>	<b>June 2024 \$'000s</b>	<b>June 2023 \$'000s</b>
<b>Profit for the year</b>	<b>11,611</b>	<b>7,744</b>
<b>Total comprehensive profit for the year</b>	<b>11,611</b>	<b>7,744</b>

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

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

## Contingent liabilities

The parent entity had no contingent liabilities as at June 2024 and June 2023 with the exception of bank guarantees as disclosed in Note 18.

## Capital commitments – Property, plant and equipment

The parent entity had no capital commitments as at June 2024 and June 2023.

## Material accounting policies

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

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

## 28. Deed of cross guarantee

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

The Australian subsidiaries, as included in Note 25, represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by the company and Controlled Entities, they also represent the 'Extended Closed Group'.

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

Statement of profit or loss and other comprehensive income of 'Closed Group'	June 2024 \$'000s	June 2023 \$'000s
Revenue	329,573	323,725
Other income	1,086	4,606
Less: Expenses	(314,759)	(318,836)
<b>Profit before tax</b>	<b>15,900</b>	<b>9,495</b>
Income tax expense	(4,778)	(1,699)
<b>Profit after income tax expense</b>	<b>11,122</b>	<b>7,796</b>
<b>Other comprehensive loss for the year</b>		
Cash flow hedges – effective portion of changes in fair value	(289)	(327)
<b>Total other comprehensive loss for the year</b>	<b>(289)</b>	<b>(327)</b>
<b>Total comprehensive income for the year</b>	<b>10,833</b>	<b>7,469</b>

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

	June 2024 \$'000s	June 2023 \$'000s
<b>Current assets</b>		
Cash and cash equivalents	24,823	21,782
Trade and other receivables	18,177	18,232
Inventories	6,604	10,393
Biological assets	4,111	3,757
Current tax assets	-	100
Other assets	1,660	2,594
<b>Total current assets</b>	<b>55,375</b>	<b>56,858</b>
<b>Non-current assets</b>		
Property, plant and equipment	18,580	16,427
Right-of-use assets	35,324	35,970
Intangible assets	104,115	107,747
Deferred tax assets	742	-
Other non-current assets	120,081	120,081
<b>Total non-current assets</b>	<b>278,842</b>	<b>280,225</b>
<b>Total assets</b>	<b>334,217</b>	<b>337,083</b>
<b>Current liabilities</b>		
Trade and other payables	39,375	40,502
Current tax liabilities	9	-
Lease liabilities	4,817	4,165
Provisions	8,164	7,749
<b>Total current liabilities</b>	<b>52,365</b>	<b>52,416</b>
<b>Non-current liabilities</b>		
Lease liabilities	33,206	33,813
Borrowings	49,663	49,513
Provision	3,951	3,668
Deferred tax liabilities	-	453
<b>Total non-current liabilities</b>	<b>86,820</b>	<b>87,447</b>
<b>Total liabilities</b>	<b>139,185</b>	<b>139,863</b>
<b>Net assets</b>	<b>195,032</b>	<b>197,220</b>
<b>Equity</b>		
Issued capital	245,653	245,653
Reserves	2,234	2,117
Accumulated losses	(52,855)	(50,550)
<b>Total equity</b>	<b>195,032</b>	<b>197,220</b>

## OTHER DISCLOSURES

### 29. Share-based payments

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

Share-based payments reserve is comprised of the following:

	June 2024 \$'000s	June 2023 \$'000s
Opening balance	422	1,169
Recycling of share-based payments to retained earnings	-	(865)
Share-based payments	373	118
	<b>795</b>	<b>422</b>

Share-based payments are included in Employee benefit expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### Share based payment plan – 2024 Long-term incentive scheme

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

Pursuant to the LTI, a total of 4,965,424 options have been granted to Key Management Personnel (excluding Non-Executive Directors), Senior Executives and other selected Senior Managers.



The key terms of the options are as follows:

Key term	Further detail
<b>Nature of option</b>	Each option represents a right to acquire one (1) ordinary share of capital of the company, subject to the terms and conditions of the Plan rules
<b>Determination of the number of options</b>	At the discretion of the Board
<b>Grant dates</b>	31 May 2024
<b>Vesting dates</b>	Tranche 1 – 30 June 2027 Tranche 2 – 30 June 2028 Tranche 3 – 30 June 2029
<b>Exercise expiry date</b>	30 June 2030
<b>Vesting conditions</b>	<p>Service based Vesting Condition and Performance based Vesting Condition which are both required to be satisfied.</p> <p>The Service based Vesting Condition requires that the Participant is engaged by a Group entity on a continuous basis until the point in time at which all other Vesting Conditions are satisfied.</p> <p>The Performance based Vesting Condition is split in an EPS hurdle and a TSR hurdle over the performance period. 50% of the options are subject to the EPS hurdle with the remaining 50% subject to the TSR hurdle.</p> <p>The EPS vesting percentages will correspond to the Group's annual compounding EPS growth over the performance period (adjusted where necessary to take into account one off items as determined by the Board), and are as follows:</p> <ul style="list-style-type: none"> <li>• Annual compounding EPS less than 8%: 0% of options will vest.</li> <li>• Annual compounding EPS equal to 8%: 0% of options will vest.</li> <li>• Annual compounding EPS between 8% and 12%: options will vest on a straight line pro rata basis between 0% and 100%.</li> <li>• Annual compounding EPS greater than 12%: 100% of options will vest.</li> </ul> <p>The TSR vesting percentages will be determined by comparison of the Group's TSR against the TSR of companies which comprise the ASX300 index:</p> <ul style="list-style-type: none"> <li>• Group TSR in the bottom quartile (0%-25%) of the ASX300 index: 0% of options will vest.</li> <li>• Group TSR in the second quartile (25%-50%) of the ASX300 index: 33% of options will vest.</li> <li>• Group TSR in the third quartile (50%-75%) of the ASX300 index: 66% of options will vest.</li> <li>• Group TSR in the top quartile (75%-100%) of the ASX300 index: 100% of options will vest.</li> </ul>
<b>Option exercise price</b>	\$1.41
<b>Dividend and voting entitlements</b>	The options do not carry rights to dividends or voting rights prior to exercise

## 29. Share-based payments cont.

### Recognition and measurement

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

### Measurement of fair values

The options issued under the 2024 Long-term incentive scheme vest subject to an 'Earnings per share' hurdle and a 'relative total shareholder return' hurdle. Volatility is based on an evaluation of the historical volatility of Australian horticulture businesses.

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

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

The inputs used in the measurement of fair value as at grant date of the options granted during the year under the 2024 plan are as follows:

Long-term incentive scheme	Tranche 1	Tranche 2	Tranche 3
Grant date	31 May 2024	31 May 2024	31 May 2024
Vesting date	30 June 2027	30 June 2028	30 June 2029
Exercise expiry date	30 June 2030	30 June 2030	30 June 2030
Number granted	1,655,141	1,655,141	1,655,142
Fair value at grant date	TSR - \$0.24 EPS - \$0.25	TSR - \$0.24 EPS - \$0.25	TSR - \$0.23 EPS - \$0.25
Share price at grant date	\$1.40	\$1.40	\$1.40
Exercise price	\$1.41	\$1.41	\$1.41
Expected volatility	40.0%	40.0%	40.0%
Expected dividend yield	8.5%	8.5%	8.5%
Risk-free rate	4.1%	4.1%	4.1%

In addition, 772,649 options were granted during the year under the 2023 plan. The inputs used in the measurement of fair value as at grant date of the options granted during the year under the 2023 plan are as follow:

Long-term incentive scheme	Tranche 1	Tranche 2	Tranche 3
Grant date	24 November 2023	24 November 2023	24 November 2023
Vesting date	30 June 2026	30 June 2027	30 June 2028
Exercise expiry date	30 June 2029	30 June 2029	30 June 2029
Number granted	257,550	257,550	257,549
Fair value at grant date	TSR - \$0.50 EPS - \$0.54	TSR - \$0.53 EPS - \$0.55	TSR - \$0.54 EPS - \$0.56
Share price at grant date	\$2.00	\$2.00	\$2.00
Exercise price	\$1.84	\$1.84	\$1.84
Expected volatility	40.0%	40.0%	40.0%
Expected dividend yield	5.0%	5.0%	5.0%
Risk-free rate	4.2%	4.2%	4.2%

### Reconciliation of outstanding options

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

	June 2024		June 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	6,648,254	\$2.29	3,582,531	\$2.63
Disposed of or settled	-	-	-	-
Forfeited during the year <sup>1</sup>	(196,111)	\$2.31	(293,637)	\$2.49
Granted during the year – 2022 plan <sup>2</sup>	-	-	817,567	\$2.24
Granted during the year – 2023 plan <sup>3</sup>	772,649	\$1.84	2,541,793	\$1.84
Granted during the year – 2024 plan <sup>4</sup>	4,965,424	\$1.41	-	-
<b>Closing balance</b>	<b>12,190,216</b>	<b>\$1.90</b>	<b>6,648,254</b>	<b>\$2.29</b>
<b>Exercisable at year end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> 196,111 (June 2023: 293,637) options were forfeited during the year as a result of vesting conditions not being met

<sup>2</sup> 817,567 options under the grant for the financial year ended June 2022 were issued in the comparative financial year following Shareholder approval at the company's AGM in November 2022

<sup>3</sup> 772,649 options under the grant for the financial year ended June 2023 were issued in the current financial year following Shareholder approval at the company's AGM in November 2023

<sup>4</sup> 1,576,955 options under the grant for the financial year ended June 2024 are subject to Shareholder approval at the company's AGM in November 2024

No options vested during the current year.

## 30. Key management personnel

The aggregate compensation made to Key Management Personnel of the Group is set out below:

	June 2024 \$	Restated <sup>1</sup> June 2023 \$
Short-term employee benefits	2,458,465	2,479,305
Post-employment benefits	138,491	136,188
Share-based payments	224,227	95,682
	<b>2,821,183</b>	<b>2,711,175</b>

<sup>1</sup> Short-term employee benefits in the comparative year have been restated to recognise the 2023 STI payments of \$283,461 made to KMP in July 2023 on an accruals basis.

## 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	June 2024 \$	June 2023 \$
<b>Audit or review of the financial statements</b>		
Australia	416,587	371,694
China	194,055	215,166
	<b>610,642</b>	<b>586,860</b>
<b>Other services</b>		
Tax compliance services	43,500	57,250
Other non-audit services	12,000	61,000
	<b>55,500</b>	<b>118,250</b>
	<b>666,142</b>	<b>705,110</b>

## 32. Capital commitments

At the date of this report the Group has no capital commitments (June 2023: none).

## 33. New accounting standards

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

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current 1 January 2024
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants 1 January 2024
- AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability 1 January 2025
- AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector 1 July 2026
- IFRS 18 Presentation and Disclosure in Financial Statements 1 January 2027

## 34. Events subsequent to reporting date

### Dividends

In respect of the current reported period ended June 2024, the Directors have declared a final dividend of 8.0 cents per ordinary share which is fully franked. The record date of the dividend is 4 September 2024, and the dividend was paid on 18 September 2024.

### Economic environment

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

At the current time, in Australia the wider economy is experiencing a period of cautious consumer spending, high inflation and generally challenging economic conditions. A high inflationary environment may affect consumer spending on discretionary items such as those offered by the Group.

In China weak consumer confidence is impacting pricing of domestic product with average pricing down on comparative year levels. Prolonged weakness in this market could have a material impact on the Group's financial performance in 2025.

The Group notes macro-economic conditions (including consumer confidence and cost of living) is a key risk for the Group. The extent that any future impact from macro-economic conditions has on the Group's operational and financial performance will depend on certain developments, including the nature and duration of any disruptive events, any regulations imposed by governments and the impact on customers, employees, and the Group's supply chain, all of which are uncertain and cannot be predicted at this time. The Group may face difficulty in achieving business growth during and in the aftermath of any further deterioration in macro-economic conditions, particularly due to the Group's relatively complex and time critical supply chain.

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

### Other

There are no further matters which have arisen since the end of the financial year ended 30 June 2024 which have significantly affected or may significantly affect the operations or results of the Group or the state of affairs of the Group in subsequent financial periods.



# CONSOLIDATED ENTITY DISCLOSURE STATEMENT

The consolidated entity disclosure statement includes details of all consolidated entities as at June 2024. The consolidated financial statements incorporate the assets, liabilities, and results of all entities included in the consolidated entity disclosure statement in accordance with the accounting policies described throughout this report.

Entity name	Entity type	Body corporates		Tax residency	
		Place formed or incorporated	% of share capital held	Australian or foreign	Foreign jurisdiction
Lynch Group Bidco Pty Limited	Body corporate	Australia	100%	Australian	N/A
Lynch Group Australia Holdings Pty Limited	Body corporate	Australia	100%	Australian	N/A
Lynch Fresh Holdings Pty Limited	Body corporate	Australia	100%	Australian	N/A
Lynch Fresh Pty Limited	Body corporate	Australia	100%	Australian	N/A
Lynch Group Australia Pty Limited	Body corporate	Australia	100%	Australian	N/A
Lynch Flowers Victoria Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Leo Lynch & Sons (Qld) Pty. Limited	Body corporate	Australia	100%	Australian	N/A
Lynch Manufacturing Group Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch Manufacturing NSW Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch Manufacturing Victoria Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch Manufacturing QLD Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch Manufacturing W.A. Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch Administration Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch China Pty Limited	Body corporate	Australia	100%	Australian	N/A
Lynch Admin Services Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch Flowers (W.A.) Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch Market Flowers Brisbane Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Exaflor Pty Ltd	Body corporate	Australia	100%	Australian	N/A
The Lynch Group of Companies Pty Limited	Body corporate	Australia	100%	Australian	N/A
Gladlands Flowers Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Gladlands Flowers Unit Trust	Trust	Australia	100%	Australian	N/A
Pine Valley (QLD) Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Australiawide Flowers Pty Ltd	Body corporate	Australia	100%	Australian	N/A
Lynch China (HK) Limited	Body corporate	Hong Kong	100%	Australian	N/A
Van den Berg Asia Holding Limited	Body corporate	Hong Kong	100%	Foreign	Hong Kong
Yunnan Lynch Horticulture Company Limited	Body corporate	China	100%	Foreign	China
Yunnan Lynch Agriculture Company Limited	Body corporate	China	100%	Foreign	China
Lynch (Shanghai) International Trading Company Ltd	Body corporate	China	100%	Foreign	China
Lynch Trading (Yunnan) Company Ltd	Body corporate	China	100%	Foreign	China
Kunming Fangdebo'erge Rose Supreme Floral Co., Ltd	Body corporate	China	100%	Foreign	China
Van Den Berg Horticulture (Yunnan) Co., Ltd	Body corporate	China	100%	Foreign	China
Kunming Van Den Berg Trading (Dounan) Co., Ltd	Body corporate	China	100%	Foreign	China
Gefa Flowers (Suzhou) Co., Ltd	Body corporate	China	100%	Foreign	China

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

- the accompanying financial statements and notes to the financial statements comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements
- the attached financial statement and notes to the financial statements comply with International Reporting Standards as issued by the International Accounting Standards Board as described in Note B to the consolidated financial statements
- the attached consolidated financial statement and notes to the consolidated financial statements give a true and fair view of the Group’s financial position as at 30 June 2024 and of its performance for the financial year ended on that date
- the consolidated entity disclosure statement is true and correct
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable
- at the date of the declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue to the Deed of Cross Guarantee between the company and those Group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785

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



**Patrick Elliott**  
Chair and Non-Executive Director



**Hugh Toll**  
Chief Executive Officer and Managing Director

**21 August 2024**  
**Sydney**



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The Board of Directors  
Lynch Group Holdings Limited  
8b Williamson Road  
Ingleburn NSW 2565  
Australia

21 August 2024

Dear Directors,

## **Auditor's Independence Declaration to Lynch Group Holdings Limited**

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

As lead audit partner for the audit of the financial statements of Lynch Group Holdings Limited for the financial year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

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

Damien Cork  
Partner  
Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



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

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Lynch Group Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2024, 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 material accounting policy information and other explanatory information, the directors' declaration and the consolidated entity disclosure statement.

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

- giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

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

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

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

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## Deloitte.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Carrying value of goodwill attributable to the China Group of cash-generating units ("CGUs")</b></p> <p>As set out in Note 14 to the financial statements the Group has goodwill allocated to the Australia and China Groups of CGUs of \$86.6m and \$28.3m respectively.</p> <p>Given the economic volatility in China and resultant impact on the recoverable amount of the China Group of CGUs, we have determined this to be a Key Audit Matter.</p> <p>Accounting Standard AASB 136 <i>Impairment of Assets</i> ("AASB 136") requires the carrying value of goodwill and other indefinite useful life intangible assets to be tested for impairment annually, or whenever indicators of impairment are identified.</p> <p>For the half year ended 31 December 2023 and the year ended 30 June 2024, management identified indicators of impairment in the China Group of CGUs and conducted impairment assessments at these reporting dates.</p> <p>As a result of the impairment assessments, an impairment loss of \$30.1m was recognised at 31 December 2023. No further impairment was recognised at 30 June 2024.</p> <p>The assessment of impairment of goodwill is complex and involves significant judgements in respect of the assumptions and estimates used in preparing the discounted cash flow model ('value in use') including the determination of the:</p> <ul style="list-style-type: none"> <li>• Discount rate</li> <li>• Terminal growth rate</li> <li>• Revenue growth rates</li> <li>• Cost of goods sold escalation.</li> </ul>	<p>Our procedures with respect to the China Group of CGUs included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of the relevant controls over the impairment assessment of goodwill.</li> <li>• Obtaining the value-in-use model prepared by management to support the impairment assessment and: <ul style="list-style-type: none"> <li>• Comparing the forecast cash flows to the board approved budget.</li> <li>• Comparing the forecast cash flows to the actual cash flows generated in the current year, and challenging material differences.</li> <li>• Evaluating management's historical forecasting accuracy by comparing actual results to budget.</li> <li>• Assessing the reasonableness of the assumptions used in projected cash flows against external economic and financial data.</li> </ul> </li> <li>• In conjunction with our valuation specialists: <ul style="list-style-type: none"> <li>• Assessing the integrity of the value in use model used, including the mathematical accuracy of the underlying calculation formulas.</li> <li>• Challenging key inputs, including the discount rate and terminal growth rate utilised by management.</li> <li>• Performing sensitivity analysis on the discount rate, terminal growth rate, revenue growth rates and cost of goods sold escalation.</li> </ul> </li> <li>• Assessing the adequacy of the Group's disclosure in Note 14 to the financial statements.</li> </ul>





#### *Other Information*

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

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

The other information does not include the financial report and our auditor's report thereon.

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

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

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

#### *Responsibilities of the Directors for the Financial Report*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Report*

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

### **Deloitte.**

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2024. In our opinion, the Remuneration Report of the Group, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

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

Damien Cork  
Partner  
Chartered Accountants  
Sydney, 21 August 2024

# SHAREHOLDER INFORMATION

## Twenty largest registered shareholders (as of 9 August 2024)

Rank	Name of shareholder	Number of shares	Proportion of issued capital (%)
1	Next Capital III GP Pty. Limited	16,536,479	13.55
2	Izzac Pty Ltd	16,380,000	13.42
3	Citicorp Nominees Pty Limited	15,654,920	12.82
4	UBS Nominees Pty Ltd	12,329,254	10.10
5	HSBC Custody Nominees (Australia) Limited	10,449,650	8.56
6	BNP Paribas Noms Pty Ltd	9,424,795	7.72
7	AJ4 Limited	7,000,000	5.73
8	J P Morgan Nominees Australia Pty Limited	6,336,757	5.19
9	Van Den Berg Roses Asia B.V	6,252,112	5.12
10	Next Capital Services IIID Pty. Limited	4,699,841	3.85
11	Airfek Pty Ltd	1,820,000	1.49
12	National Nominees Limited	1,230,087	1.01
13	HSBC Custody Nominees (Australia) Limited	1,049,409	0.86
14	Warbont Nominees Pty Limited	986,559	0.81
15	HSBC Custody Nominees (Australia) Limited – A/C 2	958,998	0.79
16	HSBC Custody Nominees (Australia) Limited – GSI EDA	947,222	0.78
17	Mr Hugh Edward Toll	639,999	0.52
18	Merrill Lynch (Australia) Nominees Pty Limited	559,630	0.46
19	HGL Investments Pty Ltd	403,445	0.33
20	Neweconomy Com Au Nominees Pty Limited	392,811	0.32
<b>Total for top 20</b>		<b>114,051,968</b>	<b>93.43</b>
Remaining holders		8,014,144	6.57
<b>Total issued capital</b>		<b>122,066,112</b>	<b>100.00</b>

## Distribution of holdings (as of 9 August 2024)

Range	Number of holders	Number of shares	Proportion of issued capital (%)
100,001 and over	41	117,815,765	96.52
10,001 to 100,000	70	2,090,970	1.71
5,001 to 10,000	103	713,407	0.58
1,001 to 5,000	482	1,239,839	1.02
1 to 1,000	488	206,131	0.17
	<b>1,184</b>	<b>122,066,112</b>	<b>100.00</b>

All shares above are fully paid ordinary shares. Each fully paid ordinary share carries one voting right. There were 292 holders of less than a marketable parcel of ordinary shares.

**Substantial shareholders (as disclosed in substantial holder notices given to the company as of 9 August 2024)**

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Proportion of issued capital (%)</b>
Next Capital III GP Pty. Limited and Next Capital Services IIID Pty. Limited	21,236,320	17.40
Regal Funds Management and its associates	20,969,632	17.18
Izzac Pty Ltd	16,380,000	13.42
FIL Limited & its related subsidiaries / affiliates	10,022,507	8.21
Bridge International Holding Limited	9,378,168	7.68
A4J Limited	7,000,000	5.73
Van Den Berg Roses Asia B.V	6,252,112	5.12
MA Financial Group Limited	6,205,898	5.08

**Escrowed shares**

As at June 2024 there are no shares held under escrow arrangements. Shares issued under the employee escrow scheme were escrowed from their date of issue on 6 April 2021 for a period of 3 years ending on 6 April 2024.

**Unquoted securities**

As at June 2024, there are 12,190,216 (June 2023: 6,648,254) options over unissued shares of Lynch Group Holdings. These options are held by current members of the Management team including the Chief Executive Officer and Managing Director.

**Shares and voting rights**

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

**On-market buy back**

As at June 2024 there is no current on-market buy back.

**Use of cash and assets**

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



## CORPORATE DIRECTORY

### Directors

Patrick Elliott (Chair)

Peter Arkell

Peter Clare

Elizabeth Hallett

Hugh Toll

### Company Secretary

Steve Wood

### Registered office

8b Williamson Road

Ingleburn NSW 2565

T +61 2 8778 5388

[investorrelations@lynchgroup.com.au](mailto:investorrelations@lynchgroup.com.au)

[www.lynchgroup.com.au](http://www.lynchgroup.com.au)

### Share registry

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

T +61 1300 554 474 (toll free within Australia)

F +61 2 9287 0303

F +61 2 9287 0309 (for proxy voting)

[registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Auditor

Deloitte Touche Tohmatsu

Level 37, 8 Parramatta Square

10 Darcy Street

Parramatta NSW 2150

T +61 2 9840 7000

[www.deloitte.com.au](http://www.deloitte.com.au)

### Australia Securities Exchange

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











[lynchgroup.com.au](http://lynchgroup.com.au)