



Lynch Group Holdings Limited

Appendix 4D
Condensed Consolidated Interim Financial
Statements
For the half-year ended 1 January 2023
ASX Listing Rule 4.2A.3

ABN 35 608 543 219

This report should be read in conjunction with
the Lynch Group Holdings Limited Annual
Report for the year ended 26 June 2022

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Lynch Group Holdings Limited

Appendix 4D Condensed Consolidated Interim Financial Statements

Reporting Period

Current reporting period	Previous reporting period
Half-year ended 1 January 2023 from 27 June 2022 to 1 January 2023 (27 weeks)	Half-year ended 26 December 2021 from 28 June 2021 to 26 December 2021 (26 weeks)

Results for announcement to the market

	Half-year December 2022 \$000s	Half-year December 2021 \$000s	% Change
Revenue from ordinary activities ¹	180,433	171,659	Up 5.1%
(Loss)/profit from ordinary activities after tax attributable to members	(1,720)	11,414	Down 115.1%
Earnings before interest, tax, depreciation and amortisation	12,599	25,970	Down 51.5%
Net (Loss)/profit for the period attributable to members	(1,720)	11,414	Down 115.1%

¹ Revenue from ordinary activities excluding the additional week in the current reporting period would be \$176,528, up 2.8% on the previous reporting period

Explanation of results

Please refer to the Review of Operations contained within the Directors' Report for further information on the results for the period including the significant features of operating performance.

Dividends or dividend distribution plan

Declared and paid to ordinary shareholders during the period	Cents per share	Franking %
Final dividend declared on 24 August 2022 for financial year ended June 2022 and paid on 21 September 2022	6.0 cents	100% franked

No interim dividend was declared for the half-year ended December 2022. There was no dividend reinvestment plan during the half-year ended December 2022 or December 2021.

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Earnings per share

	Half-year December 2022 (cents)	Half-year December 2021 (cents)
Basic earnings per share	(1.41)	9.35
Diluted earnings per share	(1.41)	9.35

Net Tangible Assets per Share

	Half-year December 2022 (cents)	Half-year December 2021 (cents)
Net tangible asset backing per ordinary share ¹	27.77	30.92

¹ Net tangible assets include Right-of-use assets of \$43,532,000 (December 2021: \$28,615,000) and Lease liabilities of \$45,786,000 (December 2021: \$30,479,000)

Parent Entity, Subsidiaries and Joint Ventures

The ultimate parent entity of the consolidated Group is Lynch Group Holdings Limited. As at December 2022 the Group has no associates or joint ventures.

Control gained over entities

There were no entities in which control was gained during the period.

Review and status

The Appendix 4D, condensed consolidated interim financial statements (including the notes to the financial statements) have been reviewed. A copy of the Auditor's Review Report is included following the financial statements.

Dated 22 February 2023

Lynch Group Holdings Limited

Directors' report

For the half-year ended 1 January 2023

The directors present their report, together with the condensed consolidated interim financial statements, of Lynch Group Holdings Limited (**company**) and its controlled entities (**Group**) for the half-year ended 1 January 2023. The directors report as follows:

Reporting periods

The current reporting period is the half-year ended 1 January 2023. This is the 27-week period from 27 June 2022 to 1 January 2023 and is referred to as **December 2022** throughout the Directors' Report, condensed consolidated interim financial statements and notes to the condensed consolidated interim financial statements.

The comparative reporting period is the half-year ended 26 December 2021. This is the 26-week period from 28 June 2021 to 26 December 2021 and is referred to as **December 2021** throughout the Directors' Report, condensed consolidated interim financial statements and notes to the condensed consolidated interim financial statements.

Directors

The directors of the company at any time during or since the end of the half-year are:

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

All directors have been in office since the start of the half-year and until the date of this report.

Principal activity

The principal activity of the Group is the horticultural production and wholesale of flowers and plants. No significant change in the nature of the principal activity of the Group occurred during the financial period.

Review of Operations

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

Lynch Group Holdings Limited
Directors' report
For the half-year ended 1 January 2023

Key metrics achieved by the Group during the half-year are as follows:

- The revenue of the Group for the half-year was \$180.4m (2021: \$171.7m). The current reporting period includes 27 weeks (prior reporting period 26 weeks). Excluding the effect of the additional week in the current reporting period the revenue of the Group for the half-year would have been \$176.5m (2021: \$171.7m). There was no material impact on EBITDA, loss of the Group or NPATA from the additional week of revenue
- The EBITDA¹ of the Group for the half-year was \$12.6m (2021: \$26.0m)
- The Pro-Forma EBITDA² of the Group for the half-year was \$13.0m (2021: \$26.0m)
- The loss of the Group for the half-year after providing for income tax amounted to \$1.7m (2021: profit of \$11.4m)
- The NPATA³ of the Group for the half-year was \$1.4m (2021: \$14.0m)
- The earnings per share for the half-year was a loss of 1.41 cents (2021: profit of 9.35 cents)
- The net tangible assets per share for the half-year was \$27.77 (2021: \$30.92)

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

	Statutory \$'000	Non cash amortisation \$'000	Pro-forma NSW site relocation \$'000	Pro-forma reported total \$'000
EBITDA¹	12,599	-	418	13,017
Depreciation and amortisation	(11,502)	-	178	(11,324)
Financing costs	(2,419)	-	246	(2,173)
Taxation	(398)	-	(252)	(650)
Loss of the period	(1,720)	-	590	(1,130)
Amortisation of acquired intangible assets (net of tax)	-	2,559	-	2,559
NPATA³	(1,720)	2,559	590	1,429

Non-AASB financial measures include:

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

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

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

Lynch Group Holdings Limited

Directors' report

For the half-year ended 1 January 2023

The financial results for the half-year ended 1 January 2023 were impacted by the following significant factors:

Australia

- A softening in sales growth largely as a result of the implementation of a new automated ordering system by one of the Group's large customers resulting in significant volatility and declines in order volumes. This has also contributed to temporary waste issues within the business due to annual grower commitments
- Elevated international freight rates impacting the cost base of the floral business which also impacted local floral prices
- Customer price increases and range modifications have improved floral buying rates across the half-year period
- Underperformance in Victoria from operational issues
- Cost pressures in domestic freight from fuel surcharges and increased store deliveries. Tight labour markets required the use of overtime to manage production volumes during peak periods

China

- Farm production from recent greenhouse works and crop maturation continues to drive an uplift in volumes
- Market demand softened across the half-year period, including in the final months of the half-year period, leading to price declines on the prior half-year period. Weakening consumer confidence caused by extended COVID uncertainty, sporadic lockdowns and a softening in broader economic performance impacted wholesale pricing. The exit wave of COVID also created market disruption across December
- China margins reflect the lower pricing across the half-year period

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. At the balance sheet date \$50.0m was drawn, \$3.1m was utilised for bank guarantees and the remaining \$21.9m was undrawn. In China, \$5.8m of debt from the Bank of China 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.

Significant changes in state of affairs

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

Matters subsequent to the end of the financial period

Dividends

In respect of the current half-year ended December 2022, no interim dividend was declared. In respect of the current half-year ended December 2022, An interim dividend of 6.0 cents per ordinary share which was fully franked was declared in February 2022 in relation to the half-year ended December 2021. This dividend was paid on 23 March 2022.

Economic environment

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

In Australia, the Group continues to be impacted by elevated freight rates for international supply, production inefficiencies from labour shortages and increased costs from higher inflation. The Group continues to work collaboratively with its customers and suppliers to manage elevated costs through a range

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Directors' report

For the half-year ended 1 January 2023

of initiatives including selling price and product range management. In China, the Group expects to see improved market activity post COVID reopening. As at the date these condensed consolidated interim 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.

The extent of any future impact from pandemic risk on the Group's operational and financial performance will depend on certain developments, including the ongoing duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response including lockdown restrictions, and the impact on customers, employees and the Group's supply chain, all of which are uncertain and cannot be predicted at this time.

Given the inherent unpredictability associated with pandemic risk and any further contingency measures that may be put in place by the relevant governments and corporate entities combined with customer behaviours, the actual financial impact, if any, on the Group's full year 2023 financial statements could be significant.

Other

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

Likely developments

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

Indemnification of officers and auditors

The Group has 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 half-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 half-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.

Environmental regulations

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

Lynch Group Holdings Limited
Directors' report
For the half-year ended 1 January 2023

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 condensed consolidated interim financial statements are rounded to the nearest thousand dollars unless otherwise stated.

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 following the notes to the condensed consolidated interim financial statements.

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

On behalf of the directors



Patrick Elliott
Chair and Non-Executive Director



Hugh Toll
Chief Executive Officer and Executive Director

22 February 2023
Sydney

Lynch Group Holdings Limited
Condensed consolidated interim Statement of Profit and Loss and Other
Comprehensive Income
For the half-year ended 1 January 2023

		Half-year December 2022 \$'000	Half-year December 2021 \$'000s
	Note		
Continuing operations			
Revenue	2	180,433	171,659
Add: income			
Other income		1,168	1,410
Less: expenses			
Changes in inventories		4,955	4,564
Raw materials and consumables used		(103,582)	(92,161)
Employee benefits expenses		(25,416)	(22,538)
Contractors' expenses		(18,825)	(15,075)
Freight expenses		(15,291)	(12,450)
Depreciation and amortisation expense		(11,502)	(9,451)
Selling and marketing expenses		(226)	(349)
Occupancy expenses		(831)	(709)
Other expenses		(9,786)	(8,380)
Finance costs		(2,419)	(1,690)
		(181,755)	(156,829)
(Loss)/profit before income tax expense		(1,322)	14,830
Income tax expense	3	(398)	(3,416)
(Loss)/profit for the period		(1,720)	11,414
Other comprehensive (loss)/income that will subsequently be reclassified to (loss)/profit			
Foreign currency translation differences		(3,377)	9,053
Cash flow hedges – effective portion of changes in fair value net of tax		(939)	(92)
Other comprehensive (loss)/income, net of tax		(4,316)	8,961
Total comprehensive (loss)/income attributable to: owners of Lynch Group Holdings Limited		(6,036)	20,375
Earnings per share for (loss)/profit attributable to ordinary shareholders			
		Cents	Cents
Basic	7	(1.41)	9.35
Diluted	7	(1.41)	9.35

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

Lynch Group Holdings Limited
Condensed consolidated interim Statement of Financial Position
As at 1 January 2023

	Note	December 2022 \$'000	June 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		14,351	31,985
Trade and other receivables		23,489	21,970
Inventories		20,026	15,079
Biological assets	4	7,006	4,378
Current tax assets		272	166
Other assets		4,821	4,629
Total current assets		69,965	78,207
Non-current assets			
Property, plant and equipment		85,231	84,182
Right-of-use assets	5	43,532	25,870
Intangible assets	6	195,799	200,548
Total non-current assets		324,562	310,600
Total assets		394,527	388,807
LIABILITIES			
Current liabilities			
Trade and other payables		49,210	47,155
Current tax liabilities		166	460
Lease liabilities	5	6,528	4,117
Borrowings		4,491	4,451
Provisions		7,701	8,390
Total current liabilities		68,096	64,573
Non-current liabilities			
Lease liabilities	5	39,258	24,119
Borrowings		51,085	51,010
Provisions		3,617	2,924
Deferred tax liabilities		2,776	3,426
Total non-current liabilities		96,736	81,479
Total liabilities		164,832	146,052
Net assets		229,695	242,755
EQUITY			
Issued share capital		245,653	245,653
Reserves		10,798	14,814
Accumulated losses		(26,756)	(17,712)
Total equity		229,695	242,755

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

Lynch Group Holdings Limited
Condensed consolidated interim Statement of Changes in Equity
For the half-year ended 1 January 2023

	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Statutory surplus reserve \$'000	Share- based payments reserve \$'000	Cash flow hedge reserve \$'000	Accumu- lated losses \$'000	Total \$'000
Balance at July 2021		245,653	2,482	515	917	244	(28,470)	221,341
Profit for the period		-	-	-	-	-	11,414	11,414
Other comprehensive loss for the period		-	9,053	-	-	(92)	-	8,961
Total comprehensive income for the period		-	9,053	-	-	(92)	11,414	20,375
Share based payments		-	-	-	125	-	-	125
Transfer to statutory surplus		-	-	657	-	-	(657)	-
Balance at December 2021		245,653	11,535	1,172	1,042	152	(17,713)	241,841
Balance at July 2022		245,653	11,099	2,013	1,169	533	(17,712)	242,755
Loss for the period		-	-	-	-	-	(1,720)	(1,720)
Other comprehensive loss for the period		-	(3,377)	-	-	(939)	-	(4,316)
Total comprehensive loss for the period		-	(3,377)	-	-	(939)	(1,720)	(6,036)
Dividends paid		-	-	-	-	-	(7,324)	(7,324)
Share based payments		-	-	-	300	-	-	300
Transfer to statutory surplus		-	-	-	-	-	-	-
Balance at December 2022		245,653	7,722	2,013	1,469	(406)	(26,756)	229,695

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

Lynch Group Holdings Limited
Condensed consolidated interim Statement of Cash Flows
For the half-year ended 1 January 2023

	Half-year December 2022 \$'000	Half-year December 2021 \$'000
Note		
Cash flows from operating activities		
Receipts from customers	193,661	179,768
Payments to suppliers and employees	(191,013)	(161,715)
Receipts from other income	859	656
Interest and other costs of finance paid	(2,344)	(1,615)
Income taxes paid	(1,036)	(4,279)
	<u>127</u>	<u>12,815</u>
Cash flows from investing activities		
Payment for acquisition of business, net of cash acquired	-	(1,189)
Payment for settlement of prior period business acquisition	-	(8,932)
Payments for property, plant and equipment and intangible assets	(7,700)	(14,991)
	<u>(7,700)</u>	<u>(25,112)</u>
Cash flows from financing activities		
Proceeds from bank loans	2,915	1,583
Repayment of bank loans and overdraft	(2,844)	(2,326)
Dividends paid	(7,324)	-
Repayment of principal component of lease liabilities	(2,604)	(2,260)
	<u>(9,857)</u>	<u>(3,003)</u>
Net decrease in cash and cash equivalents	(17,430)	(15,300)
Cash at the beginning of the period	31,985	48,988
Effect of movement in foreign exchange rate	(204)	417
Cash at the end of the period	14,351	34,105

The Condensed consolidated interim Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statement

Lynch Group Holdings Limited

Notes to the Condensed consolidated interim Financial Statements

For the half-year ended 1 January 2023

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.

B. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 *Interim Financial Reporting*.

All amounts are presented in Australian dollars, unless otherwise noted. All values have been round 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 condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Group as the annual financial report. As such, this report should be read in conjunction with the annual financial report for the year ended 26 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2022, and do not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

C. Critical accounting judgements and key sources of estimation uncertainty

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

Lynch Group Holdings Limited
Notes to the Condensed consolidated interim Financial Statements
For the half-year ended 1 January 2023

D. Key sources of estimation uncertainty

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

Impairment of goodwill and other intangible assets

At the interim 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.

As at 1 January 2023, the Group identified that there were indicators of impairment and have conducted impairment testing at 1 January 2023. No impairments were recognised as a result of this impairment test.

Lynch Group Holdings Limited

Notes to the Condensed consolidated interim Financial Statements

For the half-year ended 1 January 2023

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) 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 on a monthly basis.

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 market places in China and supplying the Australia segment.

Major Customers

During the half-year ended December 2022 approximately 72% (half-year ended December 2021: 73%) of the Group's external revenue was derived from sales to major supermarkets in Australia including Coles, Woolworths and ALDI.

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.

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

Half-year ended December 2022	Australia \$'000	China \$'000	Intersegment eliminations \$'000s	Total \$'000
Segment revenue – sales to customers				
Flowers	125,181	39,411	(14,490)	150,102
Plants	30,331	-	-	30,331
	155,512	39,411	(14,490)	180,433
EBITDA	7,234	5,365	-	12,599
Depreciation and amortisation				(11,502)
Finance costs				(2,419)
Loss before income tax expense				(1,322)
Income tax expense				(398)
Loss after income tax expense				(1,720)
Segment assets	333,014¹	187,476¹	(125,963)	394,527
Segment liabilities	143,480	147,315	(125,963)	164,832

¹ Includes capital additions of \$3,008,000 in Australia and \$5,255,000 in China

Half-year ended December 2021	Australia \$'000	China \$'000	Intersegment eliminations \$'000s	Total \$'000
Segment revenue – sales to customers				
Flowers	117,153	36,093	(13,592)	139,654
Plants	32,005	-	-	32,005
	149,158	36,093	(13,592)	171,659
EBITDA	14,742	11,228	-	25,970
Depreciation and amortisation				(9,450)
Finance costs				(1,690)
Profit before income tax expense				14,830
Income tax expense				(3,416)
Profit after income tax expense				11,414
Segment assets	330,331¹	182,952¹	(117,955)	395,328
Segment liabilities	130,891	140,551	(117,955)	153,487

¹ Includes capital additions of \$1,223,000 in Australia and \$13,768,000 in China

Lynch Group Holdings Limited
Notes to the Condensed consolidated interim Financial Statements
For the half-year ended 1 January 2023

2. Revenue

Revenue is comprised of the following:

	Half-year December 2022 \$'000	Half-year December 2021 \$'000
Sales of goods - Flowers	150,102	139,654
Sales of goods - Plants	30,331	32,005
	180,433	171,659

3. Income tax

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

	Half-year December 2022 \$'000	Half-year December 2021 \$'000
Numerical reconciliation of income tax expense and tax at the statutory rate:		
Loss/(profit) before income tax expense	(1,322)	14,830
Tax at the statutory tax rate of 30%	(397)	4,449
Tax effect amounts which are not deductible in calculating taxable income:		
Other non-deductible items (including IPO costs incurred in 2020)	161	165
Other tax differences	312	21
Unused tax losses	376	61
	452	4,696
Difference in overseas tax rates	(54)	(1,280)
Income tax expense	398	3,416

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Notes to the Condensed consolidated interim Financial Statements
For the half-year ended 1 January 2023

4. Biological assets

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

	Half-year December 2022 \$'000
Carrying amount as at June 2022	4,378
Net fair value increase ¹	309
Increase due to purchases ¹	32,640
Decrease due to harvest ¹	(30,321)
Carrying amount as at December 2022	7,006

¹ 'Net fair value increase' and 'decrease due to harvest' amounts exclude fair value movements (in excess of cost) relating to items sold during the period totalling \$32,640,000. Therefore the 'net fair value increase' shown of \$309,000 represents the change in the fair value amount included in closing biological assets compared to opening biological assets. The 'decrease due to harvest' of \$30,321,000 represents the costs of biological assets harvested during the period, excluding fair value movements.

5. Right-of-use assets and lease liabilities

Right-of-use assets, which are all classified as non-current, and their associated movement during the period are as follows:

	Land and Buildings \$'000	Motor Vehicles \$'000	Plant and Equipment \$'000	Total \$'000
At June 2022	25,357	72	441	25,870
Additions	19,586	-	207	19,793
Modifications	163	-	-	163
Remeasurement	260	-	-	260
Make good assets	718	-	-	718
Depreciation expense	(3,073)	(20)	(37)	(3,130)
Foreign exchange	(134)	-	(8)	(142)
At December 2022	42,877	52	603	43,532

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Lease liabilities, which are all classified as current and non-current, and their associated movement during the year are as follows:

	Half-year December 2022 \$'000
At June 2022	28,236
Additions	19,793
Modifications	163
Remeasurement	260
Foreign exchange movements	(62)
Lease payments	(3,451)
Interest expense	847
At December 2022	45,786

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:

	Half-year December 2022 \$'000
Current liability	6,528
Non-current liability	39,258
	45,786

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

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6. Intangible assets

The Group's intangible assets, which are considered to be non-current, are comprised of the following:

	Goodwill \$'000	Brand Names \$'000	Databases \$'000	Computer software \$'000	Customer relationships \$'000	Total \$'000
Cost						
At June 2022	147,647	17,274	6,589	7,440	60,962	239,912
Additions	-	-	-	4	-	4
Disposals	-	-	-	(735)	-	(735)
Exchange differences	(1,150)	(122)	-	(11)	(413)	(1,696)
At December 2022	146,497	17,152	6,589	6,698	60,549	237,485
Accumulated amortisation						
At June 2022	-	-	(6,589)	(7,099)	(25,676)	(39,364)
Charge for the period	-	-	-	(38)	(3,021)	(3,059)
Disposals	-	-	-	735	-	735
Exchange differences	-	-	-	-	2	2
At December 2022	-	-	(6,589)	(6,402)	(28,695)	(41,686)
Carrying amount						
At June 2022	147,647	17,274	-	341	35,286	200,548
At December 2022	146,497	17,152	-	296	31,854	195,799

Allocation of indefinite life intangible assets to cash generating units

	December 2022 \$'000	June 2022 \$'000
Goodwill		
Australia Group of CGUs	86,605	86,605
China Group of CGUs	59,892	61,042
	146,497	147,647
Brand Names		
Australia Group of CGUs	10,870	10,870
China Group of CGUs	6,282	6,404
	17,152	17,274

Movement associated with the China Group of CGUs for both Goodwill and Brand Names is entirely attributable to foreign currency translation differences.

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Impairment

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, goodwill is allocated to CGUs (or Groups of CGUs) expected to benefit from the synergies of the combination, representing the lowest level at which the goodwill is monitored for internal management purposes and not being larger than an identified operating segment.

For the purpose of indefinite life intangible assets (other than goodwill), where the asset does not generate cash flows inflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

During the financial half-year, the Group identified that there were indicators of impairment and have conducted impairment testing at 1 January 2023.

Australia Group of CGUs

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 was determined based on value-in-use valuation model. The value-in-use calculation is based on forecasts approved by the board from January 2023 to June 2024. The cash flows are then projected based on consistent growth assumptions to the end of the 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 of 2%. The net cash flows were then discounted using a post-tax discount of 10.2%.

The directors have assessed that any reasonable possible change in key assumptions will not lead to an impairment.

China Group of CGUs

The recoverable amount of the China Group of CGUs has been determined based on a value-in-use valuation model. The value-in-use calculation is determined using forecasts approved by the board from January 2023 to June 2024, based on the conditions existing at the end of the half-year. The cash flows are then projected based on consistent growth assumptions to the end of the 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.

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

- Post-tax discount rate: 11.4%
- Terminal growth rate: 2.5%
- Revenue growth rate (projection period): 3%
- Consistent gross margins in the projection period

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

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

	Sensitivity applied	Decrease \$'000
Post tax discount rate	+1.0%	(18,095) ¹
Terminal growth rate	-0.5%	(7,259)
Revenue growth rate	-1.0%	(11,205)
Gross margin	-1.0%	(11,224)

¹ A change in the recoverable amount as a result of the sensitivity performed would result in an impairment in the China Group of CGUs.

Economic environment

The value-in-use model was determined based on the conditions existing at the end of the half-year and included a gradual recovery of economic conditions in China over the 2023 period. Subsequent to the half-year end, economic conditions have improved in China and the financial results for China Group of CGUs are performing favourably compared to conditions at the time impairment was tested at the end of the half-year.

7. Earnings per share (EPS)

	Half-year December 2022 \$'000	Half-year December 2021 \$'000
(Loss)/profit after tax attributable to owners of the company	(1,720)	11,414
	Number	Number
Weighted average number of Ordinary shares – Basic EPS	122,066	122,066
Weighted average number of shares – Diluted EPS	122,066	122,066
	Cents	Cents
Basic earnings per share	(1.41)	9.35
Diluted earnings per share	(1.41)	9.35

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8. Financial instruments

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	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
December 2022				
Assets/(liabilities)				
Biological assets	-	-	7,006	7,006
Derivatives – forward foreign exchange contracts	-	(426)	-	(426)
	-	(426)	7,006	6,580
June 2022				
Assets				
Biological assets	-	-	4,378	4,378
Derivatives – forward foreign exchange contracts	-	998	-	998
	-	998	4,378	5,376

There were no transfers between levels during the period.

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.

Market risk - foreign currency transaction risk

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 period were effective.

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

	December 2022 USD exposure \$'000	December 2022 AUD equivalent \$'000	June 2022 USD exposure \$'000	June 2022 AUD Equivalent \$'000
Consolidated				
Foreign currency trade payables	3,880	5,726	1,342	1,943

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

	Movement in AUD/USD exchange rate	Increase/ (decrease) in profit or loss
	%	\$'000
As at December 2022		
Foreign currency trade payables	+10%	(573)
	-10%	573
As at June 2022		
Foreign currency trade payables	+10%	(194)
	-10%	194

It is noted that the above sensitivity is not fully representative of the inherent transaction foreign exchange risk as the balance date exposure shown above does not reflect the foreign exchange exposure of transactions and balances during the course of the period. The above also does not reflect foreign currency risk associated with foreign subsidiaries.

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Market risk – foreign currency translation risk

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 period. Exchange differences arising are classified as equity and recognised in the foreign currency translation reserve. The Group's future reported profits/(losses) are impacted by changes in exchange rates between AUD and CNY. Noted below is Group's loss for half-year ending December 2022 attributable to Chinese Yuan (CNY):

	December 2022 CNY exposure \$'000	December 2022 AUD equivalent \$'000	December 2021 CNY exposure \$'000	December 2021 AUD equivalent \$'000
Consolidated				
Chinese Yuan (CNY) (loss)/profit for the period after tax	(8,956)	(1,904)	30,935	6,650

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 half-year ending December 2022:

Chinese Yuan profit or loss	Movement in annual average AUD/CNY exchange rate %	Increase/ (decrease) in profit or loss \$'000
Half-year December 2022	+10%	(190)
	-10%	190
Half-year December 2021	+10%	656
	-10%	(656)

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 December 2022 of \$55,576,000 (December 2021: \$55,461,000) are variable rate principal and interest payment loans. Minimum principal repayments of \$4,491,000 (December 2021: \$4,451,000) are due during the period ending December 2023. The below table considers the impact to profit or loss of a movement in the interest rates for the full current year on the outstanding borrowing balance as at December 2022:

		+ change \$'000	-change \$'000s
Change in interest rate	+/- 50 basis points	278	(278)

Lynch Group Holdings Limited
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9. Dividends

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

	Cents per share	Total amount \$000s	Date of payment
Declared and paid during the half-year ended December 2021:			
2022 Financial year - Interim	6.0	7,324	23 March 2022
Determined after end of half-year ended December 2022:			
2023 Financial year - Interim	0.0	Nil	n/a

10. Contingent liabilities

At the date of this report the Group has utilised guarantee facilities with Commonwealth Bank of Australia in respect of bank guarantees provided totalling \$3,141,000. These guarantee facilities are not expected to be settled. There are no additional claims or contingent liabilities that are expected to materially impact, either individually or in aggregate, the Group's financial position or results from operations.

11. Events subsequent to reporting date

Dividends

In respect of the current half-year ended December 2022, no interim dividend was declared.

Economic environment

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

In Australia, the Group continues to be impacted by elevated freight rates for international supply, production inefficiencies from labour shortages and increased costs from higher inflation. The Group continues to work collaboratively with its customers and suppliers to manage elevated costs through a range of initiatives including selling price and product range management. In China, the Group expects to see improved market activity post COVID reopening. As at the date these condensed consolidated interim 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.

The extent of any future impact from pandemic risk on the Group's operational and financial performance will depend on certain developments, including the ongoing duration and spread of the outbreak, regulations imposed by governments with respect to the outbreak response including lockdown restrictions, and the impact on customers, employees and the Group's supply chain, all of which are uncertain and cannot be predicted at this time.

Given the inherent unpredictability associated with pandemic risk and any further contingency measures that may be put in place by the relevant governments and corporate entities combined with customer behaviours, the actual financial impact, if any, on the Group's full year 2023 financial statements could be significant.

Other

There are no further matters which have arisen since the end of the period ended 1 January 2023 which have significantly affected, or may significantly affect the operations or results of the Group or the state of affairs of the Group in subsequent financial periods.

Lynch Group Holdings Limited

Director's Delcaration

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

- there are reasonable grounds to believe that Lynch Group Holdings Limited will be able to pay its debts as and when they become due and payable;
- the attached condensed consolidated interim financial statement and notes to the condensed consolidated interim financial statements comply Accounting Standard AASB 134 *Interim Financial Reporting*;

Signed in accordance with a resolution of the directors



Patrick Elliott
Chair and Non-Executive Director



Hugh Toll
Chief Executive Officer and Executive Director

22 February 2023
Sydney

22 February 2023

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

Dear Board Members

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 board of directors of Lynch Group Holdings Limited.

As lead audit partner for the review of the interim financial report of Lynch Group Holdings Limited for the half year ended 1 January 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Damien Cork
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

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

Report on the Interim Financial Report

Conclusion

We have reviewed the interim financial report of Lynch Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated interim statement of financial position as at 1 January 2023, the condensed consolidated interim statement of profit or loss and comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 1 January 2023 and of its performance for the half year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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 review report.

Directors' Responsibilities for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 1 January 2023 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Damien Cork
Partner
Chartered Accountants

Sydney, 22 February 2023

Lynch Group Holdings Limited

Corporate Directory

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Elizabeth Hallett
Peter Clare
Peter Arkell
Hugh Toll

Company Secretary

Steve Wood

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Australia Securities Exchange

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