



Speakeasy Group

Annual Director's Report

For the year ended 30 June 2021

September 2021

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Opening letter

30 September 2021



Dear shareholders,

We hope this finds all of you healthy and well despite the ongoing lockdowns.

2020 & 2021 have both been difficult years for many of us, and we hope that you all are coping well with the dramatic changes that so many of us have had to endure and cope with during this time.

The hospitality industry has of course been one of the most severely impacted industries during this pandemic and The Speakeasy Group is no different. At the time of writing, each of our venues remain closed and our trade revenue is down more-or-less 100% across the group for 2022 financial year thus far. Based on the information we currently are receiving, we are anticipating to commence re-opening in mid-October in NSW and potentially a little later in Victoria.

We do not expect it to be smooth sailings but are confident that we will be able to bounce back and see strong trade for the remainder of the 2022 financial year once vaccination rates hit the intended levels. Our venues came back strongly after the previous lockdown, and we believe we'll see a similar rush for both bars and restaurants once we are allowed to trade as normal again.

We have had some big challenges this year and, as most of you are aware we closed two of our venues in the 2021 financial year. Kiss Kiss Bang Bang is currently in the middle of legal proceedings with the landlord for what we believe was wrongful eviction. Eau de Vie Sydney also closed its doors in January 2021 as the lease had come to an end, however we believe we have located a new site for the venue to re-open back in the Sydney CBD in 2022.

It by no means is not all doom and gloom, as we were fortunate enough to be able to pay out a dividend to you our shareholders as promised at the end of the 2021 financial year in spite of the issues faced in the prior 12 months, particularly surrounding the pandemic impacts. Further to this, we have also had new group ventures commence during the period. Pearl Diver Oysters & Cocktails is set to open in Melbourne shortly, whilst we also launched two new e-commerce businesses in response to the effects of COVID19, namely Whisky Freaks and Viking Mode.

To really summarise the 2021 financial year in the context of what is happening around us all, we strongly believe that we will look back at our performance, successes and current position in years to come with great pride and satisfaction. We are confident that we are well-positioned to survive this moment in history as there remains a strong demand for our brands. The hospitality industry will survive and thrive again, and so shall we.

A handwritten signature in black ink, appearing to be "Sven Almanning".

Sven Almanning
Founder & CEO
Speakeasy Group

A handwritten signature in black ink, appearing to be "Greg Sanderson".

Greg Sanderson
Managing Director
Speakeasy Group

The Speakeasy Group

2021 financial year annual director's report:

General information

The directors

Sven Almenning
Founder & CEO



Sven, a former second lieutenant in the Royal Norwegian Navy first established himself in the hospitality industry in bartending, writing for specialist drinks' publications and starting an imports company, all of this before 2003. Stemming from this, Sven has become a leading figure in the Australian bar community which was cemented in 2009 when he received an 'outstanding contribution' award for his efforts, an accolade that is arguable the highest award attainable within the industry. Sven founded Behind Bars Industry Services in 2005 and grew this to become Australia's largest bar industry consulting agency at the time.

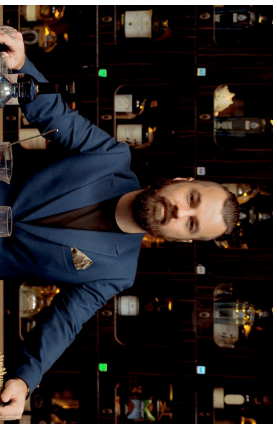
This all led to Sven birthing the Speakeasy group in 2010, with the Eau-De-Vie venues coming first, culminating to a total of 6 current venues in operation today and a further 2 to be opened in the coming 12 months, along with two accompanying e-commerce businesses. Sven with the group also recently launched a first-of-its-kind online training and management platform for the industry in 2018, Ananas. His efforts with the Speakeasy group has been recognised via many acclaimed industry awards both nationally and internationally, namely 'World's Best New Cocktail Bar' at the Spirited Awards in New Orleans as well as the Time Out 'Bar/Cocktail Bar of the Year' and 'Gourmet Traveller Bar of the Year' awards.

Sven is also an avid writer particularly for the hospitality industry, and has authored many industry and consumer publications on a variety of aspects and trends within the industry whilst is also a regular speaker and judge at industry events.

Greg is a self-professed 'booze nerd' whom is well known for his extensive experience and passion for all things cocktails and sprints. Graduating with a major in hospitality and tourism management, Greg relocated to the UK in 2013 to broaden his expertise within the industry, gaining experience at renowned venues and working closely with multiple scotch whiskey distilleries. Strengthening his knowledge with great vigour, Greg then returned to Australia in 2016 as the venue manager at the award-winning Murrumbidgee Cocktail Bar. Soon after he commenced at Behind Bars Industry Services where he met Sven, and in conjunction with Diageo was able to roll out the world's largest cocktail competition, establish the first Ketel One bartender fraternity which became a global initiative in over 40 countries, trained over 4,500 bartenders across the country and became the brand ambassador for the luxury spirit range 'Reserve Brands'. Interestingly enough, Greg also was the inventor of the 'Flemington Fling', being the signature cocktail of the Melbourne Spring Racing Carnival.

In 2011, Greg in conjunction with Sven opened their first venue together being Eau-De Vie Melbourne. After this success he became increasingly involved in the broader Speakeasy group aiding its growth as a national success today, now overseeing the entire operations of the group.

Greg's proudest achievement within the industry was winning the much sought after title of the '2012 Australian Bartender of the Year' at the Bartender Magazine's Bartender Awards.



Greg Sanderson
Managing Director

The organization and its principal activities

The Speakeasy group is a boutique hospitality group that operates in the Sydney and Melbourne markets. Priding itself on a vision to exceed guest expectation, the group has become renowned for literally bringing to the table a sense of escapism, a unique service offering and high-end food and beverage production. The group currently consists of the following venues and business ventures during the reporting period which carry out the following business activities:

Venue/business	Legal entity	Principal activities
Eau-De-Vie Sydney*	Eau-De-Vie Speakeasy Pty Ltd	Speakeasy-styled bar located in Darlinghurst, Sydney
Eau-De-Vie Melbourne	Eau-De-Vie (Melbourne) Pty Ltd	Speakeasy-styled bar located in Melbourne's CBD
Mjolner Sydney	Mjolnir Bar Pty Ltd	Viking-inspired restaurant and bar located in Redfern, Sydney
Mjolner Melbourne	Mjolner Melbourne Pty Ltd	Viking-inspired restaurant and bar located in Melbourne's CBD
Boilermaker House Melbourne	Boilermaker House Pty Ltd	Beer and whisky focused bar and restaurant located in Melbourne's CBD
Nick & Nora's Parramatta	Nick & Nora's Pty Ltd	Rooftop cocktail bar located in Parramatta's CBD
Nick & Nora's Melbourne	Nick & Nora's Melbourne Pty Ltd	Cocktail bar located in Melbourne's CBD
Kiss Kiss Bang Bang*	Kiss Kiss Bang Bang Pty Ltd	Cocktail & champagne bar located in Sydney's CBD
Whisky Freaks	Whisky Freaks Pty Ltd	Subscription service offering samples of whisky and related products
Viking Mode	Viking Mode Pty Ltd	Online e-commerce store selling modern, viking-inspired merchandise

*Currently not trading

The group also includes other business operations in addition to the above as well as a further venue to be launched in the 2022 financial year. They consist of the following:

Venue/business	Legal entity	Principal activities
Speakeasy Group Consulting	Laok Consulting Pty Ltd	Head office and administrative services to the broader group
Ananas	Ananas Pty Ltd	Online hospitality training and management platform
Pearl Diver Cocktails & Oysters	Pearl Diver Cocktails & Oysters Pty Ltd	Cocktail and wine bar located in Melbourne's CBD to be opened in 2022

Objectives

The Speakeasy Group aims to remain one of the most influential and sought after bar group operators in Australia. Our objective has and will always be to balance financial success with ethical operations and sustainable practices, whilst providing a variety of opportunities for all stakeholders involved.

Our immediate goals for the 2022 financial year is to carefully manage the recovery period from COVID19 and more recent lockdowns in both states of our operations (Victoria and NSW). We are working towards ensuring that all of our existing venues regain strong revenue and profitability, whilst continuing to solidify COVID19 resilient revenue streams.

The group certainly intends to continue the focus of its resources to the long term objective being “bricks and mortar” venue expansion initiatives. Whilst the detrimental impacts of the past 18 months have seemingly slowed down this pursuit, we remain confident that this objective will continue to be pursued and achieved with ongoing excellence as recent successes, new venues and opportunities already demonstrate.

We also plan to continue with the current successes of our ‘Pathway to Partnership’ program in bringing through our innovative and entrepreneurial staff in to ownership. We have experienced some initial successes with the concurrent launch of Pearl Diver Cocktails & Oysters, and have the goal for this to continue moving forward.

We still believe the Speakeasy Group continues to be an attractive acquisition target for larger operators and are open to a trade sale down the track should the right opportunity present itself, an opportunity that benefits our shareholders, our staff as well as our customers.

Review of operations and results

The group is a growing but already successful participant in the hospitality industry, with the objective to further expand the group nationally and internationally. Of course the impacts of the global pandemic have curtailed this somewhat in the short term, however the objective still remains unchanged.

As aforementioned, operationally the 2021 financial year brought some more challenges to weather but ultimately were overcome. The impacts of the pandemic have been clear in basically halting the entire group's planned trade revenue during periods of lockdown. However further to this, Kiss Kiss Bang Bang is currently in the middle of legal proceedings with the venue's landlords with respect to wrongful eviction from the premises. We believe the eviction was in clear breach of the government's code of conduct for landlords during COVID19.

In addition, Eau de Vie Sydney also sadly ceased trading in January 2021 as the lease had come to an end. Given the current economic situation, and dramatic changes that have taken place in the Kings Cross and the Darlinghurst areas as a result of the old 'lockout' laws, the group felt it was best to surrender the lease and look for a new premises. However, we are pleased to disclose that initial agreements are in place for a new space for Eau de Vie in Sydney's CBD. We are currently working on obtaining our license and DA to operate as a bar, and if all goes to plan, Eau de Vie (2.0) will re-open in Sydney in July 2022.

It's been a tough year for our online training and staff management business Ananas, as our customers (being bars and restaurants) have largely been closed. However, there are some great partnerships in the wings. It is also of our belief that we will see significant growth as venues start to re-open and the hospitality industry learns to live and trade with COVID19 impacts.

On a more positive note, our 'Pathways to Partnership' program has delivered the foundation partners and venue. Key staff members Perry Collier and Alex Boon have partnered with the group through the program to launch Pearl Diver Cocktails & Oysters, which is set to launch before the end of 2021. We are currently in the process of completing the build and recruiting staff for the opening.

To continue the positive stories, the group has also launched two new e-commerce businesses in response to the impacts of the pandemic on the group, Viking Mode & Whisky Freaks. Viking Mode is a new lifestyle online merchandising business for the 'modern day viking', sprung from the already existing merchandising business at Mjølner. The e-commerce business is currently selling our 'Viking Feast' recipe book as well as a selection of knives, drinking horns, jewellery and beard care products. Whilst it is currently a relatively modest business, we are hoping to grow this in to a multi-million dollar revenue generating e-commerce business in the coming years. Whisky Freaks is the group's new whisky subscription service and curated bottle store which launched recently this year, which was somewhat later than expected. The business already has regular subscribers and has received great feedback in its early stages. Whisky Freaks has also been running several successful virtual whisky classes for various CEO groups and Corporate customers during lockdown. Given these promising early signs we are hoping to grow to a decently sized e-commerce business moving forward.

Perhaps most critically, we note that our venues have posted strong profitability during times that can be considered as close to 'normal' as possible during the 2021 financial year.

Review of operations and results ... cont

The financial results within this report pertain to the period from 1 July 2020 to 30 June 2021. Speakeasy Group Pty Ltd is the group's ultimate holding company, registered on 19 October 2011 becoming a crowd-funded group in April of 2019.

Critically, it is important to note that the performance indicated within our financial statements are impacted upon by the transition to the requirement to comply with the Australian Accounting Standards Board (AASB) 16 for 'Leases' which came in to effect on 1 July 2019. This is the second financial year in which this comes in to effect for the group, and so the 2020 and 2021 results are therefore not directly comparable to prior years. The impact of this standard in the 2020 and 2021 income years (being the first years of implementation) is a circa \$950K reduction to net profitability in 2020, and a circa \$575K reduction in the 2021 year. The extent of this negative impact on financial reporting in future years is not expected to be as large as the negative effect of this update is front-heavy on the group's profitability during each of it's lease periods.

In accordance with this new standard, for the period ended 30 June 2021 the group made a net profit before tax of circa \$527K. Such profits also encompass an anticipated net loss of \$194K for the Kiss Kiss Bang Bang and \$15K for Eau De Vie Sydney. Both venues closed its doors during the year resulting in significant amounts of leasehold assets needing to be written off. We also note that such profits also consist of an anticipated net loss of \$173K for Ananas. This venture is still in the start-up phase whilst also not being able to derive revenue given that its customers cannot trade. As these losses for Ananas are expected and a necessary requisite for future growth and profitability, such losses are not considered as part of the operating profit or loss for this financial year. As such the operating profit for the financial year in light of this is \$700K.

In light of the impacts of the pandemic, venue closures, considerations around start-up venues and businesses along with the initial impacts to profitability of updated reporting requirements detailed above, we are extremely happy with the performance of the business in the 2021 income year. We would like to congratulate and thank the entire Speakeasy team for their efforts, patience and consideration during such testing times.

Please refer to the 2021 finance performance summary table on page 13 of this report for further analysis as to the group's financial performance for the 2021 financial year.

Significant changes in the state of affairs

The 2021 financial year continued to be troubled by COVID19, with our Melbourne venues experiencing several mandated lock-downs whilst the Sydney venues operated under tight restrictions after the initial lockdowns ended. These challenges remain real and current as we remain in lockdown with all venues closed at the time of writing.

Despite this we note the following positive changes that took place in the 2021 income year:

1. Whilst Nick & Nora's Melbourne technically opened in June 2020 it was thrown back in to lockdown after only three days of trade. After re-opening in October 2020, Nick & Nora's Melbourne quickly became the standout performer in the group, regularly achieving trade at \$110,000 revenue per week or greater. The venue has already become our greatest income earner within the group.
2. Viking Mode took over as the group's primary e-commerce play as it was integrated with the group's Mjølner merchandising business in to a stand-alone e-commerce store
3. Whisky Freaks finally launched earlier in the year and although it is early days, we have high hopes for the business to flourish

Circumstances arisen post-financial year end

Early in the 2022 financial year, state-based lockdowns continue to have detrimental impacts on our NSW venues and Victorian venues. However as previously mentioned, the proposed pathway out of these lockdowns is near in both states and we remain optimistic about our ability to return to trade, albeit with initial restrictions imposed, but with the long term view of returning to total normality.

Post 30 June the group notes the following key matters:

- Continued shutdown of the group's venue operations, with the expectation to return to trading in October for NSW and not long after for Victoria
- Planned launch and opening of Pearl Diver Cocktails & Oysters in Melbourne in late 2021, subject to Victorian COVID restrictions
- Planned re-opening of Eau de Vie in Sydney's CBD, subject to execution of lease and successful application of licensing and other trade requirements
- Continued focus and growth of pandemic-resilient revenue streams such as Viking Mode and Whisky Freaks

Likely future developments

Due to the current lock-downs and restrictions, the group has a similar conservative and cautious view as it did 12 months ago with respect to new venue opportunities. The intention here is to conduct serious due diligence on potential opportunities in the market when the economic outlook becomes more certain, as the group is still committed to the long term goal of venue expansion.

Although we have new venue opportunities largely on ice during COVID19, we did start work on Pearl Diver more than 12 months ago. This venue is the result of our inaugural Pathway to Partnership program, where we team with staff from the Speakeasy Group to launch a venue in a 50 / 50 partnership venture. The new venue should be completed early October and we aim to open as soon as the Victorian restrictions allow us to do so.

We have been scouting for a new site for Eau de Vie Sydney since before the pandemic hit, as the lease was always going to expire at the tail-end of 2020. Despite COVID delaying our relocation efforts, we are excited to disclose that we have signed initial agreements for a new location in the Sydney CBD. It is a much larger space than the original in Darlinghurst, and we believe the location is fantastic. Preliminary designs and floorplans have been completed for development approval and licencing purposes, and we're hoping to commence these applications shortly. Our goal is to commence building in February 2022 with the venue opening to the public in mid 2022

The Speakeasy Group

2021 financial year annual director's report:

Financial information

[Insert financial statements here]

