

# ASX Announcement

## Appendix 4E Preliminary Final Report

**Sydney: Thursday, 26 August 2021**

Dear Sir or Madam

In accordance with ASX Listing Rule 4.3A, attached are the following documents relating to Endeavour Group Limited and its controlled entities for the full year ended 27 June 2021:

- Appendix 4E; and
- Preliminary Final Report.

An investor webcast and conference call will be held on the full year results from 1.30pm AEST. This briefing will be accessible via our website at <https://www.endeavourgroup.com.au/investor-relations>.

This announcement was authorised for release by the Board.

Yours faithfully



**Taryn Morton**  
Company Secretary



# 2021

# Appendix 4E

# Preliminary

# Final Report

For the year ended 27 June 2021

**Endeavour Group**  
ABN 77 159 767 843

# 2021 Appendix 4E Preliminary Final Report

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Endeavour Group Limited and its subsidiaries

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# Appendix 4E

## Under ASX Listing Rule 4.3A

Endeavour Group Limited and its controlled entities

For the financial year ended 27 June 2021

### Results for announcement to the market

This Appendix 4E Preliminary Final Report presents the results of Endeavour Group Limited (the 'Company') and the entities it controlled at the end of, or during, the financial year ended 27 June 2021 (together referred to as the 'Group' or 'Endeavour Group').

The current reporting period is the 52 weeks from 29 June 2020 to 27 June 2021 (the 'financial year') and the previous corresponding reporting period is the 52 weeks from 1 July 2019 to 28 June 2020.

### Key information

	2021 52 WEEKS \$M	2020 <sup>1</sup> 52 WEEKS \$M	CHANGE \$M	CHANGE %
Revenue from the sale of goods and services	11,595	4,141	7,454	180.0%
Profit/(loss) for the year	445	(64)	509	795.3%
Profit/(loss) for the year attributable to equity holders of the Company	445	(64)	509	795.3%

1 The 2020 financial year only includes the results for Woolworths' Drinks and Hotels businesses after they were transferred to, and merged with, Endeavour Group Limited on 2 February 2020 and 4 February 2020, respectively. Prior to this only the results of Endeavour Group Limited, previously known as Pinnacle Liquor Group Pty Limited, are included. For a review of the 2021 financial year results against an equivalent 2020 period please refer to the accompanying Commentary on Results.

### Details related to dividends

	AMOUNT PER ORDINARY SHARE CENTS	FRANKED AMOUNT PER ORDINARY SHARE CENTS	DIVIDEND DECLARED \$M	PAYMENT DATE
2021 final dividend <sup>1</sup>	7.0	7.0	125	22 September 2021
2021 interim dividend	53.8	53.8	269	17 May 2021
2020 final dividend	2.6	2.6	13	18 September 2020
2020 interim dividend <sup>2</sup>	–	–	–	–

1 The \$125 million dividend declared represents the anticipated dividend based on shares on issue at the date of this report. This value will change if there are any shares issued between the date of this report and the ex-dividend date. The record date for determining entitlements is 2 September 2021.

2 Prior to being transferred to and merging with Endeavour Group Limited on 2 February 2020 and 4 February 2020, respectively, ALH Group Pty Limited declared a dividend of \$157 million which was subsequently paid on 6 March 2020.

### Net tangible (liabilities) per ordinary share

	27 JUNE 2021 <sup>1</sup> CENTS	28 JUNE 2020 CENTS
Net tangible (liabilities) per ordinary share	(25.5)	(90.2)

1 On 25 June 2021, in advance of Endeavour Group's separation from Woolworths Group, Endeavour increased its number of ordinary shares from 500,000,000 to 1,790,980,017 via a share split. If the share split had occurred in the 2020 financial year net tangible (liabilities) per ordinary share in 2020 would have been 25.2 cents.

### Other information

Additional Appendix 4E disclosure requirements and further information including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the financial year are included in the Commentary on Results, Preliminary Final Report and the accompanying Media Release (F21 Results Announcement / Media Release).

The Appendix 4E Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Financial Report. The Financial Report is being audited and is expected to be made available on 8 September 2021.



# Commentary on Results

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

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## Establishing Endeavour Group

**On 28 June 2021, Endeavour Group separated from Woolworths Group and became an independent ASX listed entity.**

### The Restructure

On 2 February 2020 Woolworths Group Limited ('Woolworths') completed an internal reorganisation to create the Endeavour Group (the 'Restructure'). The operations, assets and liabilities comprising the Woolworths' Drinks Business, previously held directly by Woolworths and its controlled entities (the 'Woolworths Group'), were transferred to Endeavour Group Limited ('Endeavour') along with Woolworths' 75% ownership interest in ALH Group Pty Limited (the 'ALH Group'), ownership in a number of other subsidiaries, and Woolworths' 8.7% ownership interest in ALE Property Group. As a result, a 25% non-controlling interest in ALH Group on completion of the Restructure was recognised by Endeavour Group.

### The Merger

On 4 February 2020, following the successful completion of the Restructure, Endeavour Group acquired the 25% interest in ALH Group held by Bruce Mathieson Group ('BMG') (the 'Merger') in exchange for issuing BMG with new equity in Endeavour. Following the Merger, BMG held a 14.6% shareholding in Endeavour Group.

### The Demerger

On 28 June 2021, Endeavour Group separated from Woolworths Group with Woolworths making a distribution of 70.8% of Endeavour Shares to eligible Woolworths Group shareholders on a one-for-one basis (the 'Demerger'). The remaining 29.2% of Endeavour Shares were retained by BMG (14.6%) and Woolworths Group (14.6%).

In conjunction with the Demerger, on 24 June 2021, Endeavour Shares started to separately trade on the Australian Securities Exchange on a conditional and deferred settlement basis with normal settlement commencing on 1 July 2021 under the code 'EDV'.

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## Our purpose and business model

Endeavour Group is the leading retail drinks and hotels business in Australia. We employ over 28,000 team members in Australia, united around the common purpose of "Creating a more sociable future together". Endeavour operates Australia's largest retail drinks network, under the Dan Murphy's and BWS brands, and the nation's largest portfolio of hotels. Our business is underpinned by the significant digital and eCommerce capabilities of EndeavourX and the production and brand building capabilities of Pinnacle Drinks.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

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## Non-IFRS information

This Commentary on Results for the 52 weeks ended 27 June 2021 ('F21') contains certain non-IFRS financial information related to historical performance, position and cash flows. Non-IFRS financial information is financial information that is not defined or specified under any relevant accounting standards. This information may not be directly comparable with other companies' information but is commonly used in the industry in which Endeavour operates.

Non-IFRS information is also included to provide meaningful information on the underlying drivers of the business, performance and trends (for example, comparable sales). This information is used by management and directors to assess the financial performance of Endeavour Group and its segments. Non-IFRS information should be considered in addition to and is not intended to substitute IFRS measures.

The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by the Australian Security and Investments Commission in December 2011 to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information.

### F20: Statutory and Equivalent Information

The Statutory F20 profit or loss commentary relates to the 52-week period ended 28 June 2020. However, this 52-week period only includes the results for Woolworths' Drinks and Hotels businesses after they were transferred to, and merged with, Endeavour Group Limited ('Endeavour Group') on 2 February 2020 and 4 February 2020, respectively. Prior to this only the results of Endeavour Group Limited, previously known as Pinnacle Liquor Group Pty Limited, were included.

To enhance comparability of profit or loss information between reporting periods Equivalent F20 financial information is presented, which includes the results of Woolworths' Drinks and Hotels businesses for the full 52-week period ended 28 June 2020. This information has been sourced from the data used in the F20 Woolworths Group Limited Annual Report, before significant items and adjusted to exclude consolidation adjustments not applicable to Endeavour Group on a standalone basis.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Group performance

### F21 Earnings Summary

\$ MILLION	STATUTORY F21	STATUTORY F20	STATUTORY CHANGE	EQUIVALENT F20	EQUIVALENT CHANGE
Sales	11,595	4,141	180.0%	10,606	9.3%
Retail EBIT	669	206	224.8%	569	17.6%
Hotels EBIT	261	(72)	n.m.	175	49.1%
Other EBIT	(31)	(94)	(67.0%)	(8)	n.m.
<b>Earnings before interest and tax (EBIT)</b>	<b>899</b>	<b>40</b>	<b>2,147.5%</b>	<b>736</b>	<b>22.1%</b>
Finance costs	(247)	(91)	171.4%		
<b>Profit/(loss) before income tax</b>	<b>652</b>	<b>(51)</b>	<b>n.m.</b>		
Income tax expense	(207)	(13)	1,492.3%		
<b>Profit/(loss) for the year (after income tax)</b>	<b>445</b>	<b>(64)</b>	<b>n.m.</b>		
Basic and diluted earnings/(loss) per share (EPS) – cents	24.8	(8.8)	n.m.		

## Results Overview

In what was a challenging and volatile year, Endeavour Group has delivered a strong result. Group sales for the year were up 9.3 percent to \$11.6 billion and EBIT increased 22.1 percent to \$899 million when compared to the Equivalent F20 results. This represents basic and diluted earnings per share of 24.8 cents per share.

Group sales grew 180% and EBIT increased by \$859 million when compared to the Statutory F20 results. This large variance is created as Statutory F20 only includes results for the Woolworths Drinks and Hotels businesses from when they were restructured and merged to become part of Endeavour Group on 2 February 2020 and 4 February 2020, respectively.

EBIT of \$899 million includes net group overhead costs associated with the new corporate structure of \$31 million. This is a part year expense, with annualised net group overhead cost expected to be approximately \$55–\$60 million.

Finance costs of \$247 million were incurred. This includes interest paid to Woolworths Group on intercompany borrowings, which has been replaced by external debt on Demerger.

The effective tax rate for F21 was 31.8%.

On 26 August 2021 the Board determined to pay a fully franked final dividend of 7.0 cents per share. Endeavour Group shares will trade ex-dividend from 1 September 2021 and the distribution will be paid to shareholders on 22 September 2021.

## Operating through COVID-19

Like nearly every business in Australia and globally, COVID-19 has had a significant impact on Endeavour Group's operations and financial results. We have experienced both highs and lows, with increased in-home consumption creating heightened demand in our Retail business at the same time as multiple and extensive closures and social distancing restrictions impacted trade across our Hotels network.

Throughout this, we have stayed focused on keeping our people safe and maintaining our connection to our customers and the communities we operate in.



# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Financial summary

### Group funds employed

\$ MILLION	STATUTORY F21	STATUTORY F20 <sup>1</sup>	STATUTORY CHANGE
Trade working capital <sup>2</sup>	483	477	6
Lease assets	3,117	2,983	134
Property, plant and equipment	1,887	1,843	44
Intangible assets	3,845	3,838	7
Other liabilities (net) <sup>3</sup>	(535)	(507)	(28)
<b>Funds employed</b>	<b>8,797</b>	<b>8,634</b>	<b>163</b>
Tax liabilities (net)	268	224	44
Related party liabilities/(assets)	85	(46)	131
Net debt	1,277	1,458	(181)
Lease liabilities	3,779	3,611	168
Equity	3,388	3,387	1
<b>Total funding &amp; tax</b>	<b>8,797</b>	<b>8,634</b>	<b>163</b>

	STATUTORY F21	EQUIVALENT F20	EQUIVALENT CHANGE
<b>Reported return on funds employed<sup>4</sup> (%)</b>	<b>11.1</b>	<b>9.0</b>	<b>208 bps</b>

1 As the balance sheet is presented at a point in time, the Statutory F20 and Equivalent F20 balance sheets are the same.

2 Comprises trade and other receivables (excluding related party balances), inventories and trade payables.

3 Comprises mainly other financial assets, accruals and provisions.

4 Calculated as EBIT as a percentage of average (opening, mid and closing) adjusted funds employed.

### Group funds employed overview

**Trade working capital** increased slightly with a reduction in trade payables due to COVID-19 impacts, which was mostly countered by a decrease in inventory due to increased trading during the year.

**Lease assets** increased \$134 million due to remeasurements and new leases, partly offset by depreciation, lease terminations and other movements.

**Property, plant and equipment** increased by \$44 million driven by investments in new stores and hotels and renewals of existing properties as well as business acquisitions, partly offset by depreciation and amortisation, impairment and disposals.

**Intangible assets** increased by \$7 million through investments in software assets and licences as well as business acquisitions, partly offset by amortisation and disposals.

**Other liabilities (net)** increased by \$28 million due to additional provision for remediation of salary and wage underpayments, other employee provisions and gaming tax payables partly offset by the reduction in stamp duty payable relating to the Restructure of the Group.

**Tax liabilities (net)** increased by \$44 million due to the higher Statutory F21 Group Profit before income tax.

**Related party liabilities/(assets)** represent amounts payable to Woolworths Group relating to partnership agreements and interest on borrowings.

**Net debt** was \$181 million lower due to \$497 million free cash flow generated during the financial year partly offset by a \$316 million increase in debt with Woolworths Group (see further details under Net debt overview).

**Lease liabilities** increased \$168 million due to remeasurements, new leases and interest, partly offset by lease payments and terminations.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Financial summary (continued)

### Net debt

\$ MILLION	STATUTORY F21	STATUTORY F20 <sup>1</sup>	STATUTORY CHANGE
Cash and cash equivalents	437	375	16.5%
Debt <sup>2</sup>	(1,714)	(1,833)	(6.5%)
<b>Net debt</b>	<b>(1,277)</b>	<b>(1,458)</b>	<b>(12.4%)</b>

1 As the balance sheet is presented at a point in time, the Statutory F20 and Equivalent F20 balance sheets are the same.

2 Debt represents current borrowings, non-current borrowings and other current financial liabilities. Of the \$1,714 million in Statutory F21 debt, \$1,710 million is owed to Woolworths. Of the \$1,833 million in Statutory F20 debt, \$1,831 million is owed to Woolworths.

### Net debt overview

Endeavour Group has historically been funded through a combination of self-generated cash flows and intercompany borrowings provided by Woolworths. As at 27 June 2021, \$1.7 billion in intercompany borrowings were drawn down with Woolworths Group and net debt was \$1.3 billion. On Demerger, outstanding intercompany borrowings with Woolworths were repaid and replaced with external financing facilities totalling \$2.5 billion, consisting of a five-year \$1.0 billion syndicated credit facility, a four-year \$900 million syndicated credit facility, and a number of three-year bilateral loan facilities totalling \$600 million.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Financial summary (continued)

### Group cash flow

\$ MILLION	STATUTORY F21	STATUTORY F20 <sup>1</sup>	STATUTORY CHANGE
<b>EBIT</b>	<b>899</b>	40	n.m.
Depreciation and amortisation expenses	<b>505</b>	198	155.1%
Changes in trade and other receivables	<b>5</b>	52	(90.4%)
Changes in inventories	<b>61</b>	131	(53.4%)
Changes in trade payables	<b>(59)</b>	62	(195.2%)
Changes in assets and liabilities and other non-cash items	<b>130</b>	186	(30.1%)
Finance costs on borrowings paid	<b>(72)</b>	(21)	242.9%
Payment for the interest component of lease liabilities	<b>(174)</b>	(73)	138.4%
Income tax paid	<b>(181)</b>	(15)	n.m.
<b>Operating cash flow</b>	<b>1,114</b>	560	98.9%
Payments for property, plant and equipment and intangible assets	<b>(279)</b>	(115)	142.6%
Payments to acquire businesses, net of cash acquired	<b>(39)</b>	(61)	(36.1%)
Proceeds from sale of businesses, net of cash disposed	<b>–</b>	7	(100.0%)
Repayment of lease liabilities	<b>(247)</b>	(91)	171.4%
Dividends paid	<b>(52)</b>	(157)	(66.9%)
<b>Free cash flow</b>	<b>497</b>	143	247.6%
<b>Cash realisation ratio<sup>2</sup> (%)</b>	<b>117.3</b>	n.m.	n.m.

1 An Equivalent F20 Group cash flow has not been presented as it's not readily available.

2 Operating cash flow as a percentage of profit after income tax before depreciation and amortisation expenses.

### Commentary

Large variances exist between Statutory F21 and Statutory F20 cash flows. The Statutory F20 cash flows only include activity for the Woolworths Drinks and Hotels businesses from when they were restructured and merged to become part of Endeavour Group on 2 February and 4 February 2020, respectively.

The Cash realisation ratio was 117.3%.

Finance costs on borrowings paid reflect the interest paid to Woolworths Group on intercompany borrowings.

Payments for the purchase of property, plant and equipment and intangible assets was \$279 million which includes investment in new stores and hotels, renewal of existing stores and hotels as well as investment in software intangibles and licences.

Payments to acquire businesses, net of cash acquired includes the acquisition of Oakridge Winery, and the acquisition of new hotels.

Dividends paid of \$52 million reflects total dividends of \$282 million, less Woolworths Group's \$230 million share which was settled through intercompany borrowings.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Segment performance

### Retail

#### F21 Financial Results

	STATUTORY F21	STATUTORY F20	STATUTORY CHANGE	EQUIVALENT F20	EQUIVALENT CHANGE
Sales (\$m)	10,178	3,870	163.0%	9,286	9.6%
EBITDA (\$m)	936	308	203.9%	807	16.0%
Depreciation and amortisation (\$m)	267	102	161.8%	238	12.2%
EBIT (\$m)	669	206	224.8%	569	17.6%
Gross margin (%)	24.2	23.0	120 bps	23.1	110 bps
Cost of doing business (%)	17.6	17.7	(8) bps	17.0	63 bps
EBIT to sales (%)	6.6	5.3	128 bps	6.1	45 bps
Sales per square metre (\$)	21,012	n.m.	n.m.	19,603	7.2%
Funds employed (\$m)	4,138	n.m.	n.m.	4,089	1.2%
Return on average funds employed (%)	16.5	n.m.	n.m.	13.4	311 bps

### Trading Performance

Total sales of \$10,178 million were delivered by the Retail segment in F21. When compared to the Equivalent F20 result, sales increased by 9.6%. Retail EBIT grew by 17.6% to \$669 million.

Retail sales increased 163.0% and EBIT increased by 224.8% when compared to the Statutory F20 results. This large variance is created as the Statutory F20 results only include results for the Woolworths Drinks business from when it was restructured and merged to become part of Endeavour Group on 2 February 2020 and 4 February 2020, respectively.

### Strong market dynamics in F21

Customers switched to in-home consumption, sparked by COVID-19 related restrictions and the closure of on-premise venues which began in March 2020. This created increased retail demand which remained elevated across the first half of F21. During the second half of F21, on-premise restrictions eased and retail trading began to normalise.

All major categories of drinks were in growth for F21, with the exception of cider. The trend towards spirits continued, growing at over 20% in F21 (off the back of similarly strong growth in Equivalent F20).

An ongoing shift to premium products was seen across many categories. There was particularly strong growth in craft beer, champagne and gin, as well as no-alcohol and low-alcohol alternatives.

### Margin improvement

The strong sales flowed through to higher gross margin and EBIT. Gross margin grew ahead of sales, with lower promotional activity in the market and an increased penetration of Pinnacle brands. Compared to Equivalent F20, gross margin as a percentage of sales increased by 110 bps.

In F21, CODB as a percentage of sales was 17.6%, +63bps higher than the Equivalent F20 result. Whilst the higher sales created benefits through leverage of the fixed cost base, this was offset by one-off costs and strategic investments in technology and digital capabilities.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Segment performance (continued)

### Retail (continued)

#### Operating Metrics by Quarter

	F21	Q4'21 (12 WEEKS)	Q3'21 (13 WEEKS)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)
<b>Customer metrics</b>					
BWS VOC NPS (Store and Online)	71 <sup>1</sup>	71	72	71	71
Dan Murphy's VOC NPS (Store and Online)	79 <sup>1</sup>	79	78	76	77
<b>Sales productivity metrics</b>					
Total sales (\$ million)	10,178	2,092	2,396	3,032	2,658
Total sales growth <sup>2</sup>	9.6%	(7.3%)	6.4%	17.1%	21.5%
Comparable sales growth <sup>2</sup>	8.6%	(7.6%)	5.6%	15.6%	20.1%
Two-year average comparable sales growth <sup>2</sup>	8.2%	7.2%	6.9%	8.7%	11.6%

1 Represents the exit point for the year.

2 The year on year and two-year change are calculated with comparison to the Equivalent F20 and Equivalent F19 result, respectively.

### EndeavourX

	F21	Q4'21 (12 WEEKS)	Q3'21 (13 WEEKS)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)
<b>Sales productivity metrics</b>					
Online sales (\$ million)	859	183	193	256	227
Online sales growth <sup>1</sup>	34.7%	14.1%	23.8%	44.3%	57.6%
Online penetration <sup>1</sup>	8.4%	8.8%	8.0%	8.5%	8.6%
<b>Loyalty</b>					
My Dan's members (million)	5.5 <sup>2</sup>	5.5	5.3	5.1	4.8
Everyday Rewards scan rates – BWS (%)	44.8 <sup>2</sup>	44.8	43.9	43.8	42.4
My Dan's scan rates (%)	65.5 <sup>2</sup>	65.5	62.4	60.7	60.1

1 Year on year change is calculated with comparison to the Equivalent F20 result in the respective quarter.

2 Represents the exit point for the year.

### Growing customer engagement

Customer engagement metrics (VOC NPS) which were already strong, continued to improve. The My Dan's Membership program attracted an additional 1 million members in F21, growing steadily over the year, with total members now exceeding 5.5 million.

### Growing digital engagement

In F21 Endeavour made targeted investments in digital customer experience including enhancing websites and apps, personalising the My Dan's loyalty offer, and improving online fulfilment through both pick-up and delivery. This created the foundation for Endeavour's strong online sales, which grew 34.7% in F21 and constituted 8.4% of Retail sales (Equivalent F20: 6.9%).

### Expanding and enhancing our network

Endeavour's business model leverages its extensive network to offer exceptional convenience to customers, including enabling fast delivery and pick-up options. In F21, pick-up sales grew ahead of delivery.

The store network was selectively expanded during F21 and at the end of the financial year there were 251 Dan Murphy's stores and 1,392 BWS stores in Australia. This represents a net increase of 33 stores during F21.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Segment performance (continued)

### Hotels

#### F21 Financial Results

	STATUTORY F21	STATUTORY F20	STATUTORY CHANGE	EQUIVALENT F20	EQUIVALENT CHANGE
Sales (\$m)	1,417	271	422.9%	1,320	7.3%
EBITDA (\$m)	499	24	n.m.	408	22.3%
Depreciation and amortisation (\$m)	238	96	147.9%	233	2.1%
EBIT (\$m)	261	(72)	n.m.	175	49.1%
Gross margin (%)	85.0	80.4	460 bps	83.0	208 bps
Cost of doing business (%)	66.6	107.0	n.m.	69.7	(308) bps
EBIT to sales (%)	18.4	(26.6)	n.m.	13.3	516 bps
Funds employed (\$m)	3,852	n.m.	n.m.	3,886	(0.9%)
Return on average funds employed (%)	6.7	n.m.	n.m.	4.5	224 bps

#### Operating Metrics by Quarter

	STATUTORY F21	Q4'21 (12 WEEKS)	Q3'21 (13 WEEKS)	Q2'21 (13 WEEKS)	Q1'21 (14 WEEKS)
Sales productivity metrics					
Total sales (\$ million)	1,417	360	390	354	313
Total sales growth <sup>1</sup>	7.3%	606.4%	11.5%	(21.5%)	(33.2%)

<sup>1</sup> Year on year change is calculated with comparison to the Equivalent F20 result in the respective quarter.

### Trading Performance

It has been a challenging year for our Hotels business due to continuing COVID-19 related trading restrictions and associated costs. Sales for F21 grew by 7.3%, delivering EBIT of \$261 million, 49.1% growth on the Equivalent F20 result. It is noted that COVID-19 also impacted on the prior year results.

Hotels' revenue grew 422.9% and EBIT increased by \$333 million, when compared to the Statutory F20 results. These large variances are created as the Statutory F20 results only include results for the Hotels business from 2 February 2020 and 4 February 2020, when it was restructured and merged with Endeavour Group.

### COVID-19 had a significant impact on the Hotels business

The quarterly growth rates highlight the volatility in the market. In Q1'21 and Q2'21, extensive closures were in place, particularly in the key state of Victoria. Hotel sales were down 33.2% and 21.5% respectively for these periods. In Q4'21, Hotels cycled the nationwide closures in the prior year.

In F21, there were only 195 days where all of our hotels were open for trading.

### Resilience and agility

Once restrictions were lifted in each market, strong trading conditions quickly resumed as customers returned to hotels. At an operational level, many hotels were reconfigured and new measures were introduced to keep the team and customers safe, in line with the evolving state based COVID-19 regulations.

# Commentary on Results

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Segment performance (continued)

### Hotels (continued)

#### Strong cost management during challenging operating environment

Whilst sales were limited by trading restrictions, the business was able to control costs to record an EBIT margin of 18.4%. This included costs associated with COVID-19 management, and provision for the remediation of historical salary and wage underpayments partly mitigated by cost savings as a result of COVID-19 capacity-based restrictions to service offerings.

#### Expanding and enhancing our Hotels network

Despite the headwinds and challenges of COVID-19, we have continued to invest in our Hotels business as highlighted below:

- In F21, five hotels were acquired taking the total network of hotels to 339 (including five managed clubs);
- Significant renewals were completed in 26 of our hotels;
- We continued to invest in our accommodation offering under our Nightcap brand. Our hotels now incorporate 2,254 accommodation rooms;
- At the end of F21, we introduced 'me&u' technology in 115 hotels, which enables customers to make contactless orders from their table; and
- As part of our commitment to responsible gaming, we launched facial recognition technology in all our South Australian hotels which enhances our self-exclusion capability. We are now trialling the technology in other states.

## F22 outlook

### First eight weeks sales

	YEAR ON YEAR CHANGE %	TWO-YEAR CHANGE <sup>1</sup> %
Retail	(1.7)	21.5
Hotels	(7.3)	(36.2)
Endeavour Group	(2.3)	11.1

<sup>1</sup> Two-year change is calculated with comparison to the Equivalent F20 result.

There remains considerable uncertainty as to the impact that COVID-19 will have on our performance in F22.

We started F22 with the lockdown in Sydney and in the Perth and Peel region of Western Australia. Areas in Victoria, South Australia, Queensland and Northern Territory all subsequently followed with periods of lockdown. This has required our hotels in those regions to close for extended periods resulting in a reduction of revenue for the Hotels business in the first eight weeks of F22.

Our Retail stores have remained open and are experiencing volatility in demand as our customers adjust to the stay-at-home orders. We have seen continued growth in our online business over this period particularly in our on demand and pick-up services which leverage our market leading store footprint.



# Preliminary Final Report



# Consolidated Statement of Profit or Loss

	NOTE	2021 \$M	2020 \$M
Revenue from the sale of goods and services	2.1	11,595	4,141
Cost of sales		(7,928)	(3,033)
<b>Gross profit</b>		<b>3,667</b>	<b>1,108</b>
Other revenue		33	9
Branch expenses		(2,199)	(694)
Administration expenses		(602)	(383)
<b>Earnings before interest and tax</b>		<b>899</b>	<b>40</b>
Finance costs	2.3	(247)	(91)
<b>Profit/(loss) before income tax</b>		<b>652</b>	<b>(51)</b>
Income tax expense	3.7.1	(207)	(13)
<b>Profit/(loss) for the year</b>		<b>445</b>	<b>(64)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the parent entity		445	(64)
		445	(64)
		<b>CENTS</b>	<b>CENTS</b>
<b>Earnings/(loss) per share (EPS) attributable to equity holders of the parent entity:</b>			
Basic and diluted earnings/(loss) per share	4.1	24.8	(8.8)

As discussed in more detail in Note 1.2.2, the 2020 financial year includes the results of what were previously known as Woolworths' Drinks and Hotels businesses after they were transferred to, and merged with, Endeavour Group Limited on 2 February 2020 and 4 February 2020, respectively. Prior to this only the results of Endeavour Group Limited, previously known as Pinnacle Liquor Group Pty Limited, are included.

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying Notes to the Preliminary Final Report.

# Consolidated Statement of Comprehensive Income

	2021 \$M	2020 \$M
<b>Profit/(loss) for the year</b>	<b>445</b>	<b>(64)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss, net of tax</i>		
Effective portion of changes in the fair value of cash flow hedges	2	(2)
Foreign currency translation of foreign operations	–	(1)
<i>Items that will not be reclassified to profit or loss, net of tax</i>		
Change in the fair value of investments in equity securities	(17)	(12)
Actuarial gain on defined benefit superannuation plans	1	–
<b>Other comprehensive (loss) for the year, net of tax</b>	<b>(14)</b>	<b>(15)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>431</b>	<b>(79)</b>
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Equity holders of the parent entity	431	(79)
	<b>431</b>	<b>(79)</b>

As discussed in more detail in Note 1.2.2, the 2020 financial year includes the results of what were previously known as Woolworths' Drinks and Hotels businesses after they were transferred to, and merged with, Endeavour Group Limited on 2 February 2020 and 4 February 2020, respectively. Prior to this only the results of Endeavour Group Limited, previously known as Pinnacle Liquor Group Pty Limited, are included.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes to the Preliminary Final Report.

# Consolidated Statement of Changes in Equity

2021	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY				
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED EARNINGS \$M	TOTAL \$M
<b>Balance at 28 June 2020</b>	<b>4,033</b>	<b>(2)</b>	<b>(584)</b>	<b>(60)</b>	<b>3,387</b>
Profit for the year	–	–	–	445	445
Other comprehensive (loss)/income for the year, net of tax	–	–	(15)	1	(14)
<b>Total comprehensive (loss)/income for the year, net of tax</b>	<b>–</b>	<b>–</b>	<b>(15)</b>	<b>446</b>	<b>431</b>
Adjustment to issue of shares on Restructure <sup>1</sup>	(158)	–	–	–	(158)
Share-based payments expense	–	–	10	–	10
Dividends paid <sup>2</sup>	–	–	–	(282)	(282)
<b>Balance at 27 June 2021</b>	<b>3,875</b>	<b>(2)</b>	<b>(589)</b>	<b>104</b>	<b>3,388</b>

<sup>1</sup> Refer to Note 3.1 for further information.

<sup>2</sup> Refer to Note 4.2 for further information.

2020	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY				
	SHARE CAPITAL \$M	SHARES HELD IN TRUST \$M	RESERVES \$M	RETAINED (LOSSES) \$M	TOTAL \$M
<b>Balance at 30 June 2019</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>4</b>
Loss for the year	–	–	–	(64)	(64)
Other comprehensive loss for the year, net of tax	–	–	(15)	–	(15)
<b>Total comprehensive loss for the year, net of tax</b>	<b>–</b>	<b>–</b>	<b>(15)</b>	<b>(64)</b>	<b>(79)</b>
Issue of shares on Restructure <sup>1</sup>	2,859	(2)	–	–	2,857
Issue of shares on Merger <sup>1</sup>	1,174	–	–	–	1,174
Transfers to reserves on Restructure and Merger	–	–	(569)	–	(569)
<b>Balance at 28 June 2020</b>	<b>4,033</b>	<b>(2)</b>	<b>(584)</b>	<b>(60)</b>	<b>3,387</b>

<sup>1</sup> Refer to Note 1.2.2 for further information.

As discussed in more detail in Note 1.2.2, the 2020 financial year includes the activity of what were previously known as Woolworths' Drinks and Hotels businesses after they were transferred to, and merged with, Endeavour Group Limited on 2 February 2020 and 4 February 2020, respectively. Prior to this only the activity of Endeavour Group Limited, previously known as Pinnacle Liquor Group Pty Limited, are included.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Preliminary Final Report.

# Consolidated Balance Sheet

	NOTE	2021 \$M	2020 \$M
<b>Current assets</b>			
Cash and cash equivalents		437	375
Trade and other receivables	3.1	118	346
Inventories		1,213	1,269
		<b>1,768</b>	1,990
Assets held for sale		3	3
<b>Total current assets</b>		<b>1,771</b>	1,993
<b>Non-current assets</b>			
Trade and other receivables	3.1	41	40
Other financial assets	3.2	89	84
Lease assets	3.3.1	3,117	2,983
Property, plant and equipment	3.4	1,887	1,843
Intangible assets	3.5	3,845	3,838
Deferred tax assets	3.7.3	14	14
<b>Total non-current assets</b>		<b>8,993</b>	8,802
<b>Total assets</b>		<b>10,764</b>	10,795
<b>Current liabilities</b>			
Trade and other payables	3.8	1,280	1,476
Lease liabilities	3.3.2	429	414
Borrowings	4.6	1,714	2
Current tax payable		111	34
Other financial liabilities	3.2	–	750
Provisions	3.9	278	210
<b>Total current liabilities</b>		<b>3,812</b>	2,886
<b>Non-current liabilities</b>			
Lease liabilities	3.3.2	3,350	3,197
Borrowings	4.6	–	1,081
Other financial liabilities		3	3
Provisions	3.9	37	33
Deferred tax liabilities	3.7.3	171	204
Other non-current liabilities		3	4
<b>Total non-current liabilities</b>		<b>3,564</b>	4,522
<b>Total liabilities</b>		<b>7,376</b>	7,408
<b>Net assets</b>		<b>3,388</b>	3,387
<b>Equity</b>			
Contributed equity	4.3	3,873	4,031
Reserves	4.4	(589)	(584)
Retained earnings/(losses)		104	(60)
<b>Total equity</b>		<b>3,388</b>	3,387

The above Consolidated Balance Sheet should be read in conjunction with the accompanying Notes to the Preliminary Final Report.

# Consolidated Statement of Cash Flows

	NOTE	2021 \$M	2020 \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		13,313	4,663
Payments to suppliers and employees		(11,772)	(3,994)
Finance costs on borrowings paid		(72)	(21)
Payments for the interest component of lease liabilities		(174)	(73)
Income tax paid		(181)	(15)
<b>Net cash provided by operating activities</b>	4.5	<b>1,114</b>	560
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangible assets		(279)	(115)
Proceeds from the sale of businesses, net of cash disposed		–	7
Payments for the purchase of businesses, net of cash acquired		(39)	(61)
<b>Net cash (used in) investing activities</b>		<b>(318)</b>	(169)
<b>Cash flows from financing activities</b>			
Proceeds from other borrowings		2	1
Proceeds from borrowings with related parties		1,765	285
Repayment of borrowings with related parties		(2,202)	(285)
Repayment of lease liabilities		(247)	(91)
Dividends paid	4.2	(52)	(157)
<b>Net cash (used in) financing activities</b>		<b>(734)</b>	(247)
Net increase in cash and cash equivalents		62	144
Cash transferred on Restructure		–	221
Cash and cash equivalents at start of year		375	10
<b>Cash and cash equivalents at end of year</b>		<b>437</b>	375

As discussed in more detail in Note 1.2.2, the 2020 financial year includes the cash flows of what were previously known as Woolworths' Drinks and Hotels businesses after they were transferred to, and merged with, Endeavour Group Limited on 2 February 2020 and 4 February 2020, respectively. Prior to this only the cash flows of Endeavour Group Limited, previously known as Pinnacle Liquor Group Pty Limited, are included.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Preliminary Final Report.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 1. Basis of preparation

### 1.1 Basis of preparation

Endeavour Group Limited (the 'Company') is a for-profit company, limited by shares, incorporated, and domiciled in Australia. The registered office and principal place of business of the Company is 26 Waterloo Street, Surry Hills NSW 2010.

The Preliminary Final Report (the 'Report') of the Company is for the 52-week period ended 27 June 2021 (the 'financial year') and comprises the Company and its controlled entities (together referred to as the 'Group' or 'Endeavour Group'). The comparative period is for the 52-week period ended 28 June 2020.

The Report is presented in Australian dollars and amounts have been rounded to the nearest million dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The Report has been prepared on the historical cost basis except for financial assets at fair value through other comprehensive income and certain financial liabilities which have been measured at fair value, as explained in the accounting policies.

The Financial Report is in the process of being audited and is expected to be made available on 8 September 2021.

Accounting policies have been applied consistently to all years presented in the Report, unless otherwise stated.

The Report has been prepared in accordance with the *Corporations Act 2001*, and Australian Accounting Standards and Interpretations. Compliance with Australian Accounting Standards ensures that the Report complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Consequently, this Report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The Company, previously named Pinnacle Liquor Group Pty Limited, changed its name to Endeavour Group Limited on 24 January 2020.

#### 1.1.1 Deficiency in net current assets

As at 27 June 2021, the Group has a deficiency in net current assets of \$2,041 million.

As noted in Note 6.4, on 28 June 2021 the Group entered into \$2,500 million in external financing facilities with a maturity profile greater than one year in place. On the same date, funds were drawn down against these facilities to repay \$1,712 million in outstanding related party loans and accrued interest payable to Woolworths Group Limited ('Woolworths') that were recognised as current liabilities as at 27 June 2021. The remaining undrawn external financing facilities may be drawn at any time, subject to the terms of the lending agreements. There are no ongoing loan arrangements with Woolworths.

As such, in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

### 1.2 Significant accounting policies

#### 1.2.1 Basis of consolidation

The Report of the Group incorporates the assets, liabilities, and results of all subsidiaries as at and for the financial year ended 27 June 2021. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Intragroup balances and transactions, and any unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the Report.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

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## Note 1. Basis of Preparation (continued)

### 1.2 Significant accounting policies (continued)

#### 1.2.2 The Restructure, Merger and Demerger

##### The Restructure

On 2 February 2020, Woolworths completed an internal reorganisation (the 'Restructure') to create Endeavour Group, a distinct legal group holding the Woolworths' Drinks and Hotels Businesses, for which the Company is the parent. At the time of the Restructure, the Company was wholly owned by Woolworths. The operations, assets and liabilities comprising the Woolworths Drinks Business, previously held directly by Woolworths and its controlled entities (the 'Woolworths Group'), were transferred to Endeavour Group on Restructure, along with Woolworths' 75% ownership interest in ALH Group Pty Ltd (the 'ALH Group'), ownership in a number of other subsidiaries, and Woolworths' 8.7% ownership interest in ALE Property Group. Endeavour Group recognised a 25% non-controlling interest in ALH Group on completion of the Restructure.

The Restructure was considered a common control transaction, given Woolworths controlled the businesses and subsidiaries of Endeavour Group both before and after the Restructure. Common control transactions are excluded from the scope of AASB 3 *Business Combinations*. There is no specific guidance under Accounting Standards for the accounting treatment to be adopted for business combinations of entities under common control. AASB 10 *Consolidated Financial Statements* states that where there is no specifically applicable standard or interpretation, management is required to develop a policy that is relevant to the decision-making needs of users and that is reliable.

The Company adopted predecessor accounting for the Restructure, reflecting the assets and liabilities transferred at their predecessor (book) values as at the date of the Restructure on the basis it best reflected the substance of the transaction given Endeavour Group and its businesses remained controlled by Woolworths after completion of the Restructure and the Restructure was considered to be an internal group reorganisation within Woolworths Group. Further, no cash was paid to Woolworths as consideration for the Restructure, with the Company issuing new equity to Woolworths at an equivalent value to the book value of the assets and liabilities transferred. No goodwill arose as a result of the Restructure. Retained earnings of subsidiaries transferred from Woolworths Group to Endeavour Group up to the time of the Restructure are recognised in the Merger reserve of Endeavour Group.

##### The Merger

On 4 February 2020, following the successful completion of the Restructure, the Company acquired the 25% interest in ALH Group held by Bruce Mathieson Group ('BMG') (the 'Merger') in exchange for issuing BMG with new equity in the Company. Following the Merger, BMG held a 14.6% shareholding in Endeavour Group.

In accordance with AASB 10 *Consolidated Financial Statements*, the consideration transferred for the acquisition of BMG's 25% interest in ALH Group, being the new equity issued in the Company, was measured at fair value. The difference between the fair value of equity issued to BMG and the value of the non-controlling interest held in ALH Group was recognised in the Merger reserve.

In relation to the Restructure and Merger, the Company incurred \$81 million in costs in the year ended 28 June 2020. The costs primarily relate to stamp duty arising on the Restructure and Merger transactions.

##### The Demerger

On 28 June 2021, Endeavour Group separated from Woolworths Group with Woolworths making a distribution of 70.8% of Endeavour Shares to eligible Woolworths Group shareholders on a one-for-one basis (the 'Demerger'). The remaining 29.2% of Endeavour Shares were retained by BMG (14.6%) and Woolworths Group (14.6%).

In conjunction with the Demerger, on 24 June 2021, Endeavour Shares started to separately trade on the Australian Securities Exchange on a conditional and deferred settlement basis with normal settlement commencing on 1 July 2021 under the code 'EDV'.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

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## Note 1. Basis of Preparation (continued)

### 1.2 Significant accounting policies (continued)

#### 1.2.2 The Restructure, Merger and Demerger (continued)

##### Relevance of the Restructure, Merger and Demerger to the Preliminary Final Report

The results, assets and liabilities of Endeavour Group reported in this Report reflect the consolidated position of Woolworths' Drinks and Hotels Businesses from the time of the Restructure. As a consequence, the F20 Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows reflect the results for these businesses from 3 February 2020 onwards with the financial statements from 1 July 2019 to 2 February 2020 only reflecting the results of the Company, which during that period traded as a distributor of liquor products.

Movement tables included in this Report for leases, property, plant and equipment, intangible assets, and provisions reflect the assets and liabilities transferred to Endeavour Group on Restructure as 'transferred on Restructure'.

As the Demerger occurred on 28 June 2021 after the last day of the 2021 financial year, Endeavour Group's immediate and ultimate parent entity remains Woolworths Group Limited as of the reporting date. However, from 28 June 2021 to the date of this report Endeavour Group Limited is the ultimate parent of Endeavour Group.

#### 1.2.3 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined on a weighted average basis after deducting supplier rebates and settlement discounts, and includes other costs incurred to bring inventory to its present condition and location for sale. Net realisable value of inventory has been determined as the estimated selling price in the ordinary course of business, less estimated selling expenses. At the reporting date, all inventories are valued at cost.

#### 1.2.4 Goods and Services Tax ('GST')

Revenue, expenses, and assets are recognised net of GST, except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the expense or cost of the asset.

Receivables and payables are stated with the amount of GST included. The net amounts of GST recoverable from or payable to the taxation authorities are included as a current asset or current liability in the Consolidated Balance Sheet.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to taxation authorities are classified as operating cash flows.

#### 1.2.5 New and amended standards adopted by the Group

The Group has adopted all relevant new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board which are effective for annual reporting years beginning on or after 29 June 2020. None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current year or any prior year and are not likely to significantly affect future years.



# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 1. Basis of Preparation (continued)

### 1.2 Significant accounting policies (continued)

#### 1.2.6 Standards on issue but not yet effective

As of the date of this report the Group has not applied the following new and revised standards and amendments on issue but not yet effective that were available for early adoption and were applicable to the Group:

EFFECTIVE DATE	ADOPTION DATE <sup>1</sup>	REFERENCE	NEW STANDARD, INTERPRETATION AND AMENDMENTS
1 April 2021	28 June 2021	AASB 2021-3	<i>Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021</i>
1 January 2021	28 June 2021	AASB 2020-8	<i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i>
1 January 2022	27 June 2022	AASB 2020-3	<i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>
1 January 2023	26 June 2023	AASB 2020-1	<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>
1 January 2023	26 June 2023	AASB 2021-2	<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>
1 January 2023	26 June 2023	AASB 2021-5	<i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

<sup>1</sup> This represents the date the amendment is mandatorily effective for the Group. The Group may elect to early adopt the amendment.

The reported profit or loss and financial position of the Group are not expected to change on adoption of any of the amendments to current standards listed above, unless stated otherwise, as they do not result in a change to the Group's existing accounting policies.

### 1.3 Critical accounting estimates and judgements

In applying the Group's accounting policies, management are required to make estimates, judgements, and assumptions that affect amounts reported in this Report. The estimates, judgements, and assumptions are based on historical experience, adjusted for current market conditions, and other factors that are believed to be reasonable under the circumstances, and are reviewed on a regular basis. Actual results may differ from these estimates.

The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the current or future financial years are included in the following notes:

- Note 3.3 – Leases;
- Notes 3.4 and 3.5 – Estimation of useful life of assets;
- Note 3.6 – Impairment of non-financial assets; and
- Note 3.9 – Provisions.

Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that year; or in the financial year and future years if the revision affects both current and future years.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## 2 Group performance

### 2.1 Revenue from the sale of goods and services

	2021 \$M	2020 \$M
Sale of goods in-store	9,181	3,529
Sale of goods online	859	277
Hotel related goods and services	1,417	271
Other <sup>1</sup>	138	64
<b>Total revenue from the sale of goods and services</b>	<b>11,595</b>	<b>4,141</b>

<sup>1</sup> Other mainly comprises sales by Pinnacle Drinks, which creates, manufactures and manages a portfolio of drinks brands.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Revenue

- The Group's revenue mainly comprises the sale of goods in-store and online, and hotel related goods and services. Revenue is recognised when control of the goods has transferred to the customer or when the service is provided at an amount that reflects the consideration to which the Group expects to be entitled.
- For sale of goods in-store, control of the goods transfers to the customer at the point the customer purchases the goods in-store. For sale of goods online, control of the goods transfers to the customer at the point the goods are delivered to, or collected by, the customer. Where payment for the goods is received prior to control transferring to the customer, revenue recognition is deferred in contract liabilities within trade and other payables in the Consolidated Balance Sheet until the goods have been delivered to, or collected by, the customer.
- Hotel related goods and services mainly comprises operational revenue pertaining to bars, dining, gaming and accommodation. Revenue is recognised when control of the goods has transferred to the customer or when the service is provided at an amount that reflects the consideration to which the Group expects to be entitled. For sale of goods, control of the goods transfers to the customer at the point the customer purchases the goods. Gaming revenue is recognised net of the amount of tax payable.

### 2.2 Segment disclosures

#### Operating segment reporting

Reportable segments are identified on the basis of internal reports on the business units of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance. These business units offer different products and services and are managed separately.

The Group's reportable segments are as follows:

- **Retail**<sup>1</sup> – procurement and manufacture of drinks for sale to customers in Australia;
- **Hotels** – provision of goods and services including food and drinks, accommodation, entertainment, and gaming in Australia; and
- **Other** – consists of various group support functions, including central overhead costs.

There are varying levels of integration between the Retail and Hotels reportable segments. This includes the common usage of property, services and administration functions.

The primary reporting measure of the reportable segments is earnings before interest and tax which is consistent with the way management monitor and report the performance of these segments.

<sup>1</sup> The 'Retail' segment was previously known as 'Endeavour Drinks'.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 2. Group performance (continued)

### 2.2 Segment disclosures (continued)

#### Operating segment reporting (continued)

The reportable segments were materially affected by COVID-19 during the financial year. A summary of impacts is noted below.

- **Retail**<sup>1</sup> – Sales and EBIT during the financial year reflect a continuation of in-home consumption, sparked by COVID-19 related restrictions and the closure of on-premise venues.
- **Hotels** – While some disruption to trading continued due to lockdowns, sales and EBIT growth in H2 benefitted from cycling a period where venues were closed for most of the final four months of 2020. The most significant impact of COVID-19 was in the key state of Victoria where hotels re-entered lockdown in early July 2020 and re-opened in early November 2020 with capacity limits and trading restrictions in place, further short-term snap lockdowns in both February and June 2021.

The Group operates primarily in Australia. The Group also operates in New Zealand, the results for which are immaterial to the Group.

2021	RETAIL <sup>1</sup> \$M	HOTELS \$M	OTHER \$M	CONSOLIDATED CONTINUING OPERATIONS \$M
Revenue from the sale of goods and services	10,178	1,417	–	11,595
<b>Segment revenue</b>	<b>10,178</b>	<b>1,417</b>	<b>–</b>	<b>11,595</b>
Other revenue <sup>2</sup>	5	24	4	33
<b>Total revenue</b>	<b>10,183</b>	<b>1,441</b>	<b>4</b>	<b>11,628</b>
<b>Earnings/(loss) before interest and tax</b>	<b>669</b>	<b>261</b>	<b>(31)</b>	<b>899</b>
Finance costs				(247)
<b>Profit before income tax</b>				<b>652</b>
Income tax expense				(207)
<b>Profit for the year</b>				<b>445</b>
Depreciation and amortisation – lease assets	143	137	–	280
Depreciation and amortisation – non lease assets	124	101	–	225
Capital expenditure <sup>3</sup>	160	149	3	312

1 The 'Retail' segment was previously known as 'Endeavour Drinks'.

2 Other revenue mainly comprises rental and commission revenue.

3 Capital expenditure comprises property, plant and equipment and intangible asset acquisitions including when acquired as part of a business.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 2. Group performance (continued)

### 2.2 Segment disclosures (continued)

#### Operating segment reporting (continued)

2020 <sup>1</sup>	RETAIL <sup>3</sup> \$M	HOTELS \$M	OTHER \$M	CONSOLIDATED CONTINUING OPERATIONS \$M
Revenue from the sale of goods and services	3,870	271	–	4,141
<b>Segment revenue</b>	3,870	271	–	4,141
Other revenue <sup>2</sup>	3	6	–	9
<b>Total revenue</b>	3,873	277	–	4,150
<b>Earnings/(loss) before interest and tax</b>	206	(72)	(94)	40
Finance costs				(91)
<b>Loss before income tax</b>				(51)
Income tax expense				(13)
<b>Loss for the year</b>				(64)
Depreciation and amortisation – lease assets	55	55	–	110
Depreciation and amortisation – non lease assets	47	41	–	88
Capital expenditure <sup>4</sup>	78	79	3	160

1 Certain comparatives have been re-presented to conform to the current period's presentation to better reflect the nature of the performance of the Group.

2 Other revenue mainly comprises rental and commission revenue.

3 The 'Retail' segment was previously known as 'Endeavour Drinks'.

4 Capital expenditure comprises property, plant and equipment and intangible asset acquisitions including when acquired as part of a business.

### 2.3 Finance costs

	2021 \$M	2020 \$M
Interest expense – leases	174	73
Interest expense – non-leases <sup>1</sup>	74	18
Other	(1)	–
<b>Total finance costs</b>	<b>247</b>	91

1 Endeavour Group has borrowings with Woolworths, a related party. Finance costs incurred on these borrowings are set out in Note 5.3.2.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Finance costs

Finance costs are recognised in the Consolidated Statement of Profit or Loss in the year in which they are incurred. Lease finance costs comprise interest on lease liabilities calculated using the incremental borrowing rate. Non-lease finance costs comprise interest on borrowings calculated using the effective interest method.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## 3 Assets and liabilities

### 3.1 Trade and other receivables

	2021 \$M	2020 \$M
<b>Current</b>		
Trade receivables	44	49
Loss allowance	(8)	(3)
	36	46
Receivables from related parties <sup>1</sup>	–	228
Other receivables	39	35
	75	309
Prepayments	43	37
<b>Total current trade and other receivables</b>	<b>118</b>	<b>346</b>
<b>Non-current</b>		
Prepayments	40	40
Other	1	–
<b>Total non-current trade and other receivables</b>	<b>41</b>	<b>40</b>
<b>Total trade and other receivables</b>	<b>159</b>	<b>386</b>

<sup>1</sup> A receivable was established with Woolworths at the time of the Restructure to fund the costs associated with the Restructure, Merger and Demerger of Endeavour Group from Woolworths Group. During the financial year any costs incurred were set off against this receivable and any remaining unused balance was derecognised resulting in an adjustment to share capital consistent with its original recognition.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less a loss allowance. Trade and other receivables generally have terms of up to 30 days.

##### Impairment of trade and other receivables

The Group assesses the expected credit losses associated with its trade and other receivables on a forward-looking basis. The Group applies the simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade and other receivables that share similar credit risk characteristics and days past due are grouped and then assessed for collectability as a whole.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.2 Other financial assets and liabilities

	2021 \$M	2020 \$M
<b>Non-current</b>		
Listed equity securities	87	84
Other	2	–
<b>Total non-current other financial assets</b>	<b>89</b>	<b>84</b>
<b>Current</b>		
Term notes with related parties	–	750
<b>Total current other financial liabilities</b>	<b>–</b>	<b>750</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Listed equity securities

The Group's investments in listed equity securities are designated as financial assets at fair value through other comprehensive income. Investments are initially measured at fair value net of transaction costs and, in subsequent years, are measured at fair value with any change recognised in other comprehensive income. The Group has made this election in order to mitigate exposure to the variability in fair value measurements through profit or loss. Upon disposal, the cumulative gain or loss recognised in other comprehensive income is transferred to retained earnings.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.3 Leases

The Group leases various properties, equipment, and vehicles. Property rental contracts are typically made for fixed periods of five to 35 years with up to 10 options of two to 12 years. Other lease contracts are typically made for fixed periods of one to four years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

#### 3.3.1 Lease assets

	PROPERTIES \$M	PLANT AND EQUIPMENT \$M	TOTAL \$M
<b>2021</b>			
Cost	4,254	18	4,272
Less: Accumulated depreciation and impairment	(1,146)	(9)	(1,155)
<b>Carrying amount at end of year</b>	<b>3,108</b>	<b>9</b>	<b>3,117</b>
<i>Movement:</i>			
Carrying amount at start of year	2,970	13	2,983
Additions	77	2	79
Terminations	(2)	–	(2)
Remeasurements	339	–	339
Depreciation expense	(274)	(6)	(280)
Other	(2)	–	(2)
<b>Carrying amount at end of year</b>	<b>3,108</b>	<b>9</b>	<b>3,117</b>
<b>2020</b>			
Cost	3,857	16	3,873
Less: Accumulated depreciation and impairment	(887)	(3)	(890)
<b>Carrying amount at end of year</b>	<b>2,970</b>	<b>13</b>	<b>2,983</b>
<i>Movement:</i>			
Carrying amount at start of year	–	–	–
Transfer on Restructure	2,971	9	2,980
Additions	33	6	39
Terminations	(4)	–	(4)
Remeasurements	79	(1)	78
Depreciation expense	(109)	(1)	(110)
<b>Carrying amount at end of year</b>	<b>2,970</b>	<b>13</b>	<b>2,983</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.3 Leases (continued)

#### 3.3.2 Lease liabilities

<b>MATURITY PROFILE OF CONTRACTUAL UNDISCOUNTED CASH FLOWS</b>	<b>2021 \$M</b>	<b>2020 \$M</b>
One year or less	437	419
One year to two years	415	413
Two years to five years	1,055	1,050
Five years to 10 years	1,756	1,643
Over 10 years	1,509	1,581
<b>Total undiscounted lease liabilities</b>	<b>5,172</b>	<b>5,106</b>

<b>MOVEMENT IN LEASE LIABILITIES</b>	<b>2021 \$M</b>	<b>2020 \$M</b>
Carrying amount at start of year	3,611	–
Transfer on Restructure	–	3,587
Additions	79	40
Terminations	(3)	(4)
Remeasurements	339	79
Interest expense	174	73
Payments for interest component of lease liabilities	(174)	(73)
Repayment of lease liabilities	(247)	(91)
<b>Carrying amount at end of year</b>	<b>3,779</b>	<b>3,611</b>
Current	429	414
Non-current	3,350	3,197
<b>Total lease liabilities</b>	<b>3,779</b>	<b>3,611</b>

Included in lease liabilities is \$350 million (2020: \$320 million) owing to Woolworths Group. Of this, \$43 million (2020: \$38 million) is owed within the next 12 months. During the financial year, Endeavour Group paid \$54 million (2020: \$23 million) in rental charges to Woolworths Group under lease arrangements between the two groups.

#### **Commitments for leases not yet commenced**

At 27 June 2021 the Group had committed to leases which had not yet commenced. Accordingly, these lease contracts are not included in the calculation of the Group's lease liabilities. The Group has estimated that the potential future lease payments for these lease contracts as at the end of the financial year would result in an increase in undiscounted lease liabilities of \$48 million (2020: \$34 million).



# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.3 Leases (continued)

#### 3.3.3 Other amounts recognised in the Consolidated Statement of Profit or Loss

	BRANCH EXPENSES \$M	FINANCE COSTS \$M
<b>YEAR ENDED 27 JUNE 2021</b>		
Interest expense on lease liabilities	–	174
Variable lease payments not included in the measurement of lease liabilities <sup>1</sup>	21	–
Expense relating to short-term leases	5	–
<b>YEAR ENDED 28 JUNE 2020</b>		
Interest expense on lease liabilities	–	73
Variable lease payments not included in the measurement of lease liabilities <sup>1</sup>	2	–
Expense relating to short-term leases	2	–

<sup>1</sup> Variable lease payments represent 4.4% (2020: 1.1%) of total lease payments.

#### 3.3.4 Amounts recognised in the Consolidated Statement of Cash Flows

FOR THE YEAR ENDED	2021 \$M	2020 \$M
Payments for short-term leases, service components of leases, and variable payments (included in payments to suppliers and employees)	(54)	(15)
Payments for the interest component of lease liabilities	(174)	(73)
Repayment of lease liabilities	(247)	(91)
<b>Total cash outflow for leases</b>	<b>(475)</b>	<b>(179)</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.3 Leases (continued)

#### SIGNIFICANT ACCOUNTING POLICIES

##### Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits from an identified asset for a period of time in exchange for consideration. A lease liability and corresponding lease asset are recognised at commencement of the lease.

##### Lease liabilities

Lease liabilities are measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, at the Group's incremental borrowing rate specific to the lease term. Lease payments (excluding non-lease components) include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Group under residual value guarantees;
- Exercise price of a purchase option that the Group is reasonably certain to exercise; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method. When there is a change in lease term or a change in future lease payments, lease liabilities are remeasured, with a corresponding adjustment to lease assets.

##### Lease assets

Lease assets are initially measured at cost comprising the initial lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs, and any restoration costs.

Lease assets are subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease assets are tested for impairment in accordance with the policy adopted for non-financial assets in Note 3.6.

##### Short-term leases

Short-term leases of 12 months or less are recognised as an expense in the Consolidated Statement of Profit or Loss as incurred.

##### Non-lease components

Non-lease components of lease payments are recognised as an expense in the Consolidated Statement of Profit or Loss as incurred and include items such as embedded property outgoings and repairs and maintenance.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.3 Leases (continued)

#### CRITICAL ACCOUNTING ESTIMATES

##### Determining the lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. Extension options are most common for property leases. At the end of the financial year, the weighted average lease expiries for the portfolio of leases were:

	WEIGHTED AVERAGE LEASE EXPIRY <sup>1</sup>	
	2021 YEARS	2020 YEARS
Retail <sup>2</sup>	8.7	8.6
Hotels	14.6	15.0
<b>Group</b>	<b>11.6</b>	<b>13.0</b>

1 Represents the weighted average number of years from the end of the financial year to the end of the reasonably certain lease term.

2 The 'Retail' segment was previously known as 'Endeavour Drinks'.

During the current financial year, revising lease terms for exercising extension options resulted in an increase in recognised lease assets and lease liabilities of \$286 million (2020: \$34 million).

##### Determination of non-lease components

Determining the non-lease components of lease payments requires significant judgement. The Group separates the non-lease components for property leases based on a residual method using property outgoing market data and separates the non-lease components for other leases based on the individual contract breakdown of these costs or otherwise best estimate of these costs.

##### Discount rates

In calculating the lease liability, the lease payments are discounted using the rate implicit in the lease or the Group's incremental borrowing rate. Determining the incremental borrowing rate requires significant judgement. The discount rate is derived from key external market-based rates, the Group's credit margin, and the length of the lease.

At the end of the financial year, the weighted average incremental borrowing rate for the Group was 4.39% (2020: 4.65%).

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.4 Property, plant and equipment

<b>2021</b>	<b>DEVELOPMENT PROPERTIES \$M</b>	<b>FREEHOLD LAND, RETAIL, AND OTHER PROPERTIES \$M</b>	<b>LEASEHOLD IMPROVEMENTS \$M</b>	<b>PLANT AND EQUIPMENT \$M</b>	<b>TOTAL \$M</b>
Cost	–	727	928	2,074	3,729
Less: accumulated depreciation, amortisation, and impairment	–	(114)	(363)	(1,365)	(1,842)
<b>Carrying amount at end of year</b>	<b>–</b>	<b>613</b>	<b>565</b>	<b>709</b>	<b>1,887</b>
<i>Movement:</i>					
Carrying amount at start of year	–	578	551	714	1,843
Additions	–	33	34	167	234
Acquisition of businesses	–	22	–	7	29
Disposals	–	–	(1)	(25)	(26)
Depreciation and amortisation expense	–	(9)	(36)	(140)	(185)
Impairment expense	–	(8)	–	–	(8)
Other transfers	–	(3)	17	(14)	–
<b>Carrying amount at end of year</b>	<b>–</b>	<b>613</b>	<b>565</b>	<b>709</b>	<b>1,887</b>

<b>2020</b>	<b>DEVELOPMENT PROPERTIES \$M</b>	<b>FREEHOLD LAND, RETAIL, AND OTHER PROPERTIES \$M</b>	<b>LEASEHOLD IMPROVEMENTS \$M</b>	<b>PLANT AND EQUIPMENT \$M</b>	<b>TOTAL \$M</b>
Cost	–	672	871	1,945	3,488
Less: accumulated depreciation, amortisation, and impairment	–	(94)	(320)	(1,231)	(1,645)
<b>Carrying amount at end of year</b>	<b>–</b>	<b>578</b>	<b>551</b>	<b>714</b>	<b>1,843</b>
<i>Movement:</i>					
Carrying amount at start of year	–	–	–	–	–
Transfer on Restructure	7	541	554	712	1,814
Additions	–	4	15	61	80
Acquisition of businesses	–	32	–	3	35
Disposals	–	–	(4)	(6)	(10)
Depreciation and amortisation expense	–	(3)	(14)	(56)	(73)
Transfers to assets held for sale	–	(3)	–	–	(3)
Other transfers	(7)	7	–	–	–
<b>Carrying amount at end of year</b>	<b>–</b>	<b>578</b>	<b>551</b>	<b>714</b>	<b>1,843</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.4 Property, plant and equipment (continued)

#### SIGNIFICANT ACCOUNTING POLICIES

##### Carrying value

The Group's property, plant and equipment are measured at cost less accumulated depreciation, amortisation, and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, and a proportion of overheads. The cost of development properties (those being constructed or developed for future use) includes borrowing, holding, and development costs until the asset is ready for its intended use.

##### Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives to their residual values. Leasehold improvements are amortised over the expected useful life of the improvement. Useful lives are reassessed each financial year. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

Expected useful lives are as follows:

Buildings	25–40 years
Plant and equipment	2.5–20 years
Leasehold improvements	Up to 25 years (retail properties) or 40 years (hotels)

##### Proceeds from sale of assets

The gross proceeds from asset sales are recognised at the date that an unconditional contract of sale is exchanged with the purchaser or when title passes. The net gain or loss is recognised in the Consolidated Statement of Profit or Loss.

##### Impairment

Property, plant and equipment are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in Note 3.6.

#### CRITICAL ACCOUNTING ESTIMATES

##### Estimation of useful life of assets

Estimates of remaining useful lives require significant judgement as to the period over which an asset is expected to be available for use by the Group based on experience with similar assets. Useful lives are reviewed at least annually. Where useful lives are changed, the net written down value of the asset is depreciated or amortised from the date of the change in accordance with the revised useful life.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.5 Intangible assets

#### 3.5.1 Carrying amounts of and movements in intangible assets

<b>2021</b>	<b>GOODWILL \$M</b>	<b>BRAND NAMES \$M</b>	<b>LIQUOR, GAMING LICENCES, AND OTHER \$M</b>	<b>SOFTWARE \$M</b>	<b>TOTAL \$M</b>
Cost	1,714	13	2,260	196	4,183
Less: accumulated amortisation and impairment	(16)	(1)	(228)	(93)	(338)
<b>Carrying amount at end of year</b>	<b>1,698</b>	<b>12</b>	<b>2,032</b>	<b>103</b>	<b>3,845</b>
<i>Movement:</i>					
Carrying amount at start of year	1,697	12	2,043	86	3,838
Additions	–	–	5	40	45
Acquisition of businesses	1	–	2	–	3
Disposals, transfers, and other	–	–	(1)	–	(1)
Amortisation expense	–	–	(17)	(23)	(40)
<b>Carrying amount at end of year</b>	<b>1,698</b>	<b>12</b>	<b>2,032</b>	<b>103</b>	<b>3,845</b>

<b>2020</b>	<b>GOODWILL \$M</b>	<b>BRAND NAMES \$M</b>	<b>LIQUOR, GAMING LICENCES, AND OTHER \$M</b>	<b>SOFTWARE \$M</b>	<b>TOTAL \$M</b>
Cost	1,713	13	2,268	157	4,151
Less: accumulated amortisation and impairment	(16)	(1)	(225)	(71)	(313)
<b>Carrying amount at end of year</b>	<b>1,697</b>	<b>12</b>	<b>2,043</b>	<b>86</b>	<b>3,838</b>
<i>Movement:</i>					
Carrying amount at start of year	–	2	–	–	2
Transfer on Restructure	1,697	5	2,041	72	3,815
Additions	–	5	2	28	35
Acquisition of businesses	–	–	8	–	8
Disposals, transfers, and other	–	–	(1)	(6)	(7)
Amortisation expense	–	–	(7)	(8)	(15)
<b>Carrying amount at end of year</b>	<b>1,697</b>	<b>12</b>	<b>2,043</b>	<b>86</b>	<b>3,838</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.5 Intangible assets (continued)

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

	GOODWILL		BRAND NAMES		LIQUOR AND GAMING LICENCES	
	2021 \$M	2020 \$M	2021 \$M	2020 \$M	2021 \$M	2020 \$M
Retail <sup>1</sup>	963	962	12	12	1,021	1,016
Hotels	735	735	–	–	993	991
<b>Total indefinite life intangible assets</b>	<b>1,698</b>	<b>1,697</b>	<b>12</b>	<b>12</b>	<b>2,014</b>	<b>2,007</b>

<sup>1</sup> The 'Retail' segment was previously known as 'Endeavour Drinks'.

### SIGNIFICANT ACCOUNTING POLICIES

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

#### Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Where acquired in a business combination, cost represents the fair value at the date of acquisition.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives. Useful lives are reassessed each financial year. The useful lives of intangible assets have been assessed as follows:

Brand names	Indefinite useful life
Liquor and gaming licences	Indefinite useful life
Victorian gaming entitlements	10 years
Software	Five to 10 years for core systems; three to five years for non-core systems
Other (primarily property development rights)	Indefinite or finite up to 20 years

#### Impairment

Intangible assets are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in Note 3.6.

### CRITICAL ACCOUNTING ESTIMATES

#### Estimation of useful life of assets

Assessments of useful lives and estimates of remaining useful lives require significant management judgement. Brand names are assessed as having an indefinite useful life on the basis of brand strength, ongoing expected profitability, and continuing support. Brand names incorporate complementary assets such as store formats, networks, and product offerings. Liquor and gaming licences (excluding Victorian gaming entitlements) have been assessed to have an indefinite useful life on the basis that the licences are expected to be renewed in line with ongoing regulatory requirements.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.6 Impairment of non-financial assets

The Group's impairment testing is performed at both a total business unit level (group of CGUs) and individual CGU level. The Group has assessed the carrying amounts of property, plant and equipment, lease assets, goodwill and intangible assets and no impairments were recognised at a total business unit level. At an individual CGU level \$8 million in impairment related to Hotels was recognised during the financial year (2020: \$nil).

#### SIGNIFICANT ACCOUNTING POLICIES

##### Impairment of non-financial assets

The carrying amounts of the Group's lease assets (refer to Note 3.3), property, plant and equipment (refer to Note 3.4), goodwill, and intangible assets (refer to Note 3.5) are reviewed for impairment as follows:

Lease assets, property, plant and equipment and finite life intangibles	When there is an indication that the asset may be impaired (assessed at least each reporting date) or when there is an indication that a previously recognised impairment may need to be reversed
Goodwill and indefinite life intangibles	At least annually and when there is an indication that the asset may be impaired

##### Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to dispose. For an asset that does not generate largely independent cash inflows, the recoverable amount is assessed at the cash-generating unit (CGU) level, which is the smallest group of assets generating cash inflows independent of other CGUs that benefit from the use of the respective asset. Goodwill is allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments and grouped at the lowest levels for which goodwill is monitored for internal management purposes.

Recoverable amounts are determined using internal value in use assessments and independent property valuations.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Profit or Loss.

Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis to their carrying amounts.

##### Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.6 Impairment of non-financial assets (continued)

#### CRITICAL ACCOUNTING ESTIMATES

Key assumptions used in determining the recoverable amount of assets include expected future cash flows, long-term growth rates (terminal value assumptions), and discount rates.

In assessing value in use (VIU), estimated future cash flows are based on the Group's most recent Board approved business plan covering a period not exceeding five years. The financial year 2022 Board approved business plan is for Years 1 to 3. For impairment testing purposes cash flows for Year 4 and beyond are extrapolated using estimated long-term growth rates.

Long-term growth rates are based on past experience, expectations of external market operating conditions, and other assumptions which take account of the specific features of each business unit.

The recoverable amount has been determined using a VIU discounted cash flow model. In assessing VIU, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. Pre-tax discount rates used vary depending on the nature of the business and the country of operation.

The rates used in determining recoverable amounts are set out below:

	2021 %	2020 %
Long-term growth rate	2.5	2.5
Pre-tax discount rate	10.3 – 13.0	9.7 – 12.9

The carrying value of assets subject to impairment testing includes lease assets, property, plant and equipment, intangibles, inventories, and other working capital balances. Inventories are carried at the lower of cost or net realisable value.

The Group considers that any reasonably possible change in the key assumptions applied would not cause the carrying value of assets to exceed their recoverable amount and result in a material impairment based on current economic conditions and CGU performance.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.7 Income taxes

#### 3.7.1 Income tax expense recognised in the Consolidated Statement of Profit or Loss

	2021 \$M	2020 \$M
Current tax expense	260	36
Deferred tax relating to the origination and reversal of temporary differences	(53)	(23)
<b>Income tax expense</b>	<b>207</b>	<b>13</b>

#### 3.7.2 Reconciliation between profit before income tax and income tax expense

	2021 \$M	2020 \$M
Profit/(loss) before income tax	652	(51)
Income tax expense/(benefit) using the Australian corporate tax rate of 30%	196	(15)
<i>Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:</i>		
Non-deductible expenses	9	27
Other	2	1
<b>Income tax expense</b>	<b>207</b>	<b>13</b>

The effective tax rate of the Group in 2021 was 31.8% (2020: (25.5%)).

#### 3.7.3 Deferred tax balances recognised in the Consolidated Balance Sheet

2021	OPENING BALANCE \$M	RECOGNISED IN PROFIT OR LOSS \$M	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$M	ACQUISITIONS AND OTHER \$M	CLOSING BALANCE \$M
<b>Deferred tax assets</b>					
Property, plant and equipment	70	14	-	-	84
Provisions and accruals	93	32	-	-	125
Lease liabilities	1,301	(168)	-	-	1,133
Tax losses	4	(1)	-	-	3
<b>Total deferred tax assets</b>	<b>1,468</b>	<b>(123)</b>	<b>-</b>	<b>-</b>	<b>1,345</b>
<b>Deferred tax liabilities</b>					
Other non-current financial assets	-	-	(16)	-	(16)
Intangible assets	(549)	-	-	(1)	(550)
Lease assets	(1,106)	171	-	-	(935)
Prepayments	-	(1)	-	-	(1)
Other	(3)	6	-	(3)	-
<b>Total deferred tax liabilities</b>	<b>(1,658)</b>	<b>176</b>	<b>(16)</b>	<b>(4)</b>	<b>(1,502)</b>
<b>Net deferred tax (liability)/asset</b>	<b>(190)</b>	<b>53</b>	<b>(16)</b>	<b>(4)</b>	<b>(157)</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.7 Income taxes (continued)

#### 3.7.3 Deferred tax balances recognised in the Consolidated Balance Sheet (continued)

	2021 \$M	2020 \$M
Deferred tax assets	14	14
Deferred tax liability	(171)	(204)
<b>Net deferred tax (liability)</b>	<b>(157)</b>	<b>(190)</b>

2020	OPENING BALANCE \$M	TRANSFER ON RESTRUCTURE \$M	RECOGNISED IN PROFIT OR LOSS \$M	ACQUISITIONS AND OTHER \$M	CLOSING BALANCE \$M
<b>Deferred tax assets</b>					
Property, plant and equipment	–	69	1	–	70
Provisions and accruals	–	86	7	–	93
Lease liabilities	–	1,130	171	–	1,301
Tax losses	–	–	4	–	4
<b>Total deferred tax assets</b>	<b>–</b>	<b>1,285</b>	<b>183</b>	<b>–</b>	<b>1,468</b>
<b>Deferred tax liabilities</b>					
Intangible assets	–	(547)	–	(2)	(549)
Lease assets	–	(951)	(155)	–	(1,106)
Prepayments	–	1	(1)	–	–
Other	–	–	(4)	1	(3)
<b>Total deferred tax liabilities</b>	<b>–</b>	<b>(1,497)</b>	<b>(160)</b>	<b>(1)</b>	<b>(1,658)</b>
<b>Net deferred tax asset/(liability)</b>	<b>–</b>	<b>(212)</b>	<b>23</b>	<b>(1)</b>	<b>(190)</b>

#### Unrecognised deferred tax losses

At the reporting date, the Group has unused capital losses of \$9 million (2020: \$9 million) available for offset against future capital gains. A deferred tax asset has not been recognised in association with these capital losses as it is not probable that there will be sufficient capital gains available against which these capital losses can be utilised in the foreseeable future.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.7 Income taxes (continued)

#### 3.7.4 Tax consolidation

The Company and its wholly owned Australian resident subsidiaries have not elected to form an income tax consolidated group as at the reporting date, which means that they are each separate income taxpayers.

#### **SIGNIFICANT ACCOUNTING POLICIES**

Income tax expense in the Consolidated Statement of Profit or Loss for the financial year presented comprises current and deferred tax.

Income tax is recognised in the Consolidated Statement of Profit or Loss except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax is also recognised in other comprehensive income, or directly in equity, respectively.

##### **Current tax**

Current tax payable represents the amount expected to be paid to taxation authorities on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

##### **Deferred tax**

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the year in which the liability is settled, or asset realised, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit or in relation to the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The benefit of intangible assets with an indefinite useful life will flow to the Group on an annual basis, therefore the carrying amount will be recovered through use.

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.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.8 Trade and other payables

	2021 \$M	2020 \$M
Trade payables	889	950
Payables to related parties	85	182
Accruals	303	342
Contract liabilities	3	2
<b>Total trade and other payables</b>	<b>1,280</b>	<b>1,476</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Trade and other payables

Trade payables are non-interest bearing and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### Contract liabilities

Contract liabilities represent consideration received for performance obligations not yet satisfied. Revenue is recognised when the associated performance obligation is satisfied. Substantially all revenue deferred at reporting date will be recognised in the following year.

### 3.9 Provisions

	2021 \$M	2020 \$M
<b>Current</b>		
Employee benefits	144	124
Team member remediation	102	50
Self-insured risks	22	24
Onerous contracts and other	10	12
<b>Total current provisions</b>	<b>278</b>	<b>210</b>
<b>Non-current</b>		
Employee benefits	15	13
Self-insured risks	22	20
<b>Total non-current provisions</b>	<b>37</b>	<b>33</b>
<b>Total provisions</b>	<b>315</b>	<b>243</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.9 Provisions (continued)

#### Movements in total self-insured risks, onerous contracts and other provisions

	SELF-INSURED RISKS		ONEROUS CONTRACT AND OTHER <sup>1</sup>	
	2021 \$M	2020 \$M	2021 \$M	2020 \$M
<i>Movement:</i>				
Balance at start of year	44	–	12	–
Transferred on Restructure	–	45	–	45
Net provisions recognised/(reversed)	30	11	–	8
Cash payments	(10)	(3)	(2)	(41)
Other	(20)	(9)	–	–
<b>Balance at end of year</b>	<b>44</b>	<b>44</b>	<b>10</b>	<b>12</b>
<b>Current</b>	<b>22</b>	<b>24</b>	<b>10</b>	<b>12</b>
<b>Non-current</b>	<b>22</b>	<b>20</b>	<b>–</b>	<b>–</b>
<b>Balance at end of year</b>	<b>44</b>	<b>44</b>	<b>10</b>	<b>12</b>

1 Endeavour Group did not recognise any restructuring costs in the current financial year related to internal restructuring activities (2020: \$6 million).

#### SIGNIFICANT ACCOUNTING POLICIES

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made as to the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

##### Employee benefits

A liability is recognised for benefits accruing to employees in respect of annual leave and long service leave.

Liabilities expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

##### Self-insurance

The provision for self-insured risks primarily represents the estimated liability for workers' compensation and public liability claims.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 3. Assets and liabilities (continued)

### 3.9 Provisions (continued)

#### CRITICAL ACCOUNTING ESTIMATES

##### Discount rates

Where a provision is measured using the cash flows estimated to settle the obligation, with the exception of employee benefits, the cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Employee benefits are discounted by reference to market yields at the end of the financial year on high quality corporate bonds. Rates are reviewed periodically and given the nature of the estimate, reasonably possible changes are not considered likely to have a material impact.

##### Employee benefits assumptions

In estimating the value of employee benefits, consideration is given to expected future salary and wage levels (including on-cost rates), experience of employee departures, and periods of service. The assumptions are reviewed periodically and given the nature of the estimate, reasonably possible changes in assumptions are not considered likely to have a material impact.

Included in Employee benefits are amounts relating to salaried team members remediation. The calculations of the salary payment shortfall involve a substantial volume of data, a high degree of complexity, interpretation and estimation.

##### Team salary and wage remediation

In June 2020, the Group identified salary payment shortfalls for salaried team members relating to our Retail and Hotels segments under the General Retail Industry Award (GRIA) and Hospitality Industry General Award (HIGA). Furthermore, during the 2021 financial year possible underpayments in relation to hourly paid waged team members covered by these awards have also been identified. The Group has continued to review all the periods over which the payment shortfalls related and for which electronic records existed and this work is ongoing.

The calculations of the payment shortfalls involve a substantial volume of data, a high degree of complexity, interpretation, estimates, statistical extrapolations and are subject to further analysis. Determining the liability and amount of the historical payment shortfall requires consideration of numerous clauses of the GRIA and/or HIGA or relevant agreement, which translates into numerous decision rules across each year of the review. Changes to any of these variables have the potential to result in future adjustment to the provision in subsequent periods as analysis and work continues. On final determination of the payment shortfalls the Group will need to consider the extent to which identified payment shortfalls relate to current or prior periods.

As disclosed in Note 6.2 Employee benefits, the current year profit or loss charge pertaining to team salary and wage remediation is \$52 million.

##### Actuarial assumptions

Self-insurance provisions are determined based on independent actuarial assessments, which consider numbers, amounts, and duration, of claims and allow for future inflation and investment returns. Allowance is included for injuries which occurred before the reporting date, but where the claim is expected to be notified after the reporting date. The assumptions are reviewed periodically and given the nature of the estimate, reasonably possible changes in assumptions are not considered likely to have a material impact.

##### Onerous contracts

Provisions for onerous leases are recognised based on the lower of the estimated unavoidable net costs of meeting all leases and other obligations under the stores and associated contracts, and management's best estimate of the compensation expected to be payable to landlords and other third parties as a result of early termination of contracts. Estimates differ depending on the rent, location, lease exit terms, sublease income, and management's assessment of the timing and likely termination costs.

Any changes in the estimates and judgements of the provision in future years will be recognised in the Group's profit or loss.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management

### 4.1 Earnings per share

	2021	2020
Profit/(loss) for the year attributable to equity holders of the parent entity used in earnings per share (\$M)	445	(64)
Weighted average number of shares used in earnings per share – Basic and diluted (shares, millions) <sup>1,2</sup>	1,791	727
<b>Basic and diluted earnings/(loss) per share (cents per share)</b>	<b>24.8</b>	<b>(8.8)</b>

- 1 Weighted average number of shares has been adjusted to remove shares held in trust by Endeavour Custodian Pty Ltd (as trustee of the employee share trust). The impact of their exclusion results in an insignificant difference between basic and diluted earnings/(loss) per share.
- 2 The weighted average number of shares used in earnings per share in 2021 and 2020 has been retrospectively adjusted to reflect the change in outstanding ordinary shares that occurred via the share split completed in the 2021 financial year.

### 4.2 Dividends

	2021			2020 <sup>1</sup>		
	CENTS PER SHARE	TOTAL AMOUNT \$M	PAYMENT DATE	CENTS PER SHARE	TOTAL AMOUNT \$M	PAYMENT DATE
Current year interim <sup>2</sup>	53.8	269	17 May 2021	–	–	–
Prior year final	2.6	13	18 September 2020	–	–	–
<b>Dividends declared and paid during the year</b>	<b>56.4</b>	<b>282</b>		–	–	

- 1 Prior to the Merger on 4 February 2020, ALH Group declared a dividend of \$157 million which was subsequently paid on 6 March 2020 and is reflected in the Group's Consolidated Statement of Cash Flows.
- 2 Of the \$269 million interim dividend declared and paid in the financial year, \$39 million was settled in cash with BMG and \$230 million was settled via borrowings with Woolworths. Total dividends paid in cash in F21 was \$52 million, \$39 million related to the current year interim dividend and \$13 million related to the prior year final dividend.

All dividends paid were fully franked at a 30% tax rate.

On 26 August 2021, the Board of Directors determined to pay a final dividend in respect of the financial year ended 27 June 2021 of 7.0 cents per ordinary share fully franked at a 30% tax rate (28 June 2020: \$13 million fully franked at 30% tax rate). As the dividend was not determined to be paid until after 27 June 2021, no provision has been recognised at 27 June 2021.

### Franking credit balance

	2021 \$M	2020 \$M
Franking credits available for future financial years (tax paid basis, 30% tax rate)	692	552

The above amount represents that balance of the franking accounts at the end of the financial year, adjusted for:

- Franking credits that will arise from the payment of income tax payable at the end of the financial year; and
- Franking debits that will arise from the payment of dividends provided at the end of the financial year.



# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.3 Contributed equity

	2021		2020	
	NUMBER	\$M	NUMBER	\$M
<b>SHARE CAPITAL</b>				
1,790,980,017 fully paid ordinary shares (2020: 500,000,000)				
<i>Movement:</i>				
Balance at start of year	500,000,000	4,033	2	–
Issue of/adjustments to the issue of shares on Restructure	–	(158)	426,999,998	2,859
Issue of shares on Merger	–	–	73,000,000	1,174
Share split <sup>1</sup>	1,290,980,017	–	–	–
<b>Balance at end of year</b>	<b>1,790,980,017</b>	<b>3,875</b>	500,000,000	4,033
<b>TREASURY SHARES</b>				
<i>Movement:</i>				
Balance at start of year	(100,000)	(2)	–	–
Issue of shares on Restructure	–	–	(100,000)	(2)
<b>Balance at end of year</b>	<b>(100,000)</b>	<b>(2)</b>	(100,000)	(2)
<b>Contributed equity at end of year</b>	<b>1,790,880,017</b>	<b>3,873</b>	499,900,000	4,031

<sup>1</sup> On 25 June 2021, in advance of the Demerger, the Company increased its number of ordinary shares from 500,000,000 to 1,790,980,017 via a share split.

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

### 4.4 Reserves

	CASH FLOW HEDGE RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	REMUNERATION RESERVE \$M	EQUITY INSTRUMENT RESERVE \$M	MERGER RESERVE \$M	TOTAL \$M
<b>2021</b>						
Balance at start of year	(2)	(1)	–	(12)	(569)	(584)
Effective portion of changes in the fair value of cash flow hedges, net of tax	2	–	–	–	–	2
Share-based payments expense	–	–	10	–	–	10
Change in the fair value of investments in equity securities, net of tax	–	–	–	(17)	–	(17)
<b>Balance at end of year</b>	<b>–</b>	<b>(1)</b>	<b>10</b>	<b>(29)</b>	<b>(569)</b>	<b>(589)</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.4 Reserves (continued)

2020	CASH FLOW HEDGE RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	REMUNERATION RESERVE \$M	EQUITY INSTRUMENT RESERVE \$M	MERGER RESERVE \$M	TOTAL \$M
Balance at start of year	–	–	–	–	–	–
Effective portion of changes in the fair value of cash flow hedges, net of tax	(2)	–	–	–	–	(2)
Foreign currency translation of foreign operations, net of tax	–	(1)	–	–	–	(1)
Issue of shares on Merger	–	–	–	–	(1,174)	(1,174)
ALH Group non-controlling interest transferred to Merger reserve on Merger	–	–	–	–	261	261
Retained earnings of subsidiaries transferred on Restructure	–	–	–	–	344	344
Change in the fair value of investments in equity securities	–	–	–	(12)	–	(12)
<b>Balance at end of year</b>	<b>(2)</b>	<b>(1)</b>	<b>–</b>	<b>(12)</b>	<b>(569)</b>	<b>(584)</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The cumulative deferred gain or loss on the hedge is recognised in the Consolidated Statement of Profit or Loss when the hedged transaction impacts profit or loss, consistent with the applicable accounting policy. Refer to Note 4.7 for details of hedging.

##### Foreign currency translation reserve (FCTR)

FCTR comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the Group's presentation currency.

##### Remuneration reserve

The remuneration reserve comprises the fair value of Endeavour Group share-based payment plans recognised as an expense in the Consolidated Statement of Profit and Loss.

##### Equity instrument reserve

The equity instrument reserve arises on the revaluation of investments in listed equity securities. Subsequent to initial recognition, these investments are measured at fair value with any changes recognised in other comprehensive income. Upon disposal, the cumulative gain or loss recognised in other comprehensive income is transferred to retained earnings.

##### Merger reserve

See Note 1.2.2 for details of the Restructure and Merger that gives rise to the Merger reserve.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.5 Cash and cash equivalents

#### Reconciliation of profit for the year to net cash provided by operating activities

	2021 \$M	2020 \$M
<b>Profit/(loss) for the year</b>	<b>445</b>	<b>(64)</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	505	198
Impairment	8	–
Net loss on disposal and write-off of property, plant and equipment	27	20
Other	14	5
<b>Changes in:</b>		
Decrease in trade and other receivables	5	52
Decrease in inventories	61	131
(Decrease)/increase in trade payables	(59)	62
Increase in other payables	12	154
Increase in provisions	72	4
(Increase) in deferred taxes	(53)	(25)
Increase in current tax payable	77	23
<b>Net cash provided by operating activities</b>	<b>1,114</b>	<b>560</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

### 4.6 Borrowings

#### 4.6.1 Movements in borrowings

	OPENING BALANCE \$M	NON-CASH MOVEMENTS \$M	NET CASH MOVEMENTS \$M	CLOSING BALANCE \$M
<b>2021</b>				
<b>Current, unsecured</b>				
Loans from related parties	–	2,147	(437)	1,710
Bank loans	2	–	2	4
<b>Total current borrowings</b>	<b>2</b>	<b>2,147</b>	<b>(435)</b>	<b>1,714</b>
<b>Non-current, unsecured</b>				
Loans from related parties	1,081	(1,081)	–	–
<b>Total non-current borrowings</b>	<b>1,081</b>	<b>(1,081)</b>	<b>–</b>	<b>–</b>
<b>Total borrowings</b>	<b>1,083</b>	<b>1,066</b>	<b>(435)</b>	<b>1,714</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.6 Borrowings (continued)

#### 4.6.1 Movements in borrowings (continued)

2020	OPENING BALANCE \$M	TRANSFER ON RESTRUCTURE \$M	NON-CASH MOVEMENTS \$M	NET CASH MOVEMENTS \$M	CLOSING BALANCE \$M
<b>Current, unsecured</b>					
Loans from related parties	–	1,081	(1,081)	–	–
Bank loans	–	1	–	1	2
<b>Total current borrowings</b>	–	1,082	(1,081)	1	2
<b>Non-current, unsecured</b>					
Loans from related parties	–	–	1,081	–	1,081
<b>Total non-current borrowings</b>	–	–	1,081	–	1,081
<b>Total borrowings</b>	–	1,082	–	1	1,083

#### 4.6.2 Composition of debt

	MATURITY	NOTIONAL VALUE		CARRYING VALUE	
		2021 \$M	2020 \$M	2021 \$M	2020 \$M
<b>Loans from related parties (current)</b>					
Loans from related parties <sup>1</sup>	30 June 2021	1,710	1,081	1,710	1,081
<b>Total</b>		1,710	1,081	1,710	1,081
<b>Bank loans (current)</b>					
Bank loans	31 January 2022	4	2	4	2
<b>Total</b>		4	2	4	2

<sup>1</sup> Refer to Note 6.4 for further discussion regarding the repayment of outstanding loans with related parties.

### SIGNIFICANT ACCOUNTING POLICIES

#### Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost. Any difference between cost and redemption value is recognised in the Consolidated Statement of Profit or Loss over the period of the borrowings.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.7 Financial risk management

During the financial year Woolworths Group's Treasury function was responsible for managing the Company's liquidity, funding, and capital requirements, and identifying and managing financial risks relating to the Group's operations. These financial risks include:

- Market risk (refer to Note 4.7.1);
- Liquidity risk (refer to Note 4.7.2); and
- Credit risk (refer to Note 4.7.3).

During the year and while the ultimate parent entity of the Group was Woolworths, the Group adhered to the Woolworths Group treasury policy approved by the Woolworths Group Board of Directors, which set written principles on liquidity risk, interest rate risk, foreign exchange risk, credit risk, and the use of derivatives for hedging purposes. The Woolworths Group Treasury function reports on its compliance with the policy to the Woolworths Group Board of Directors and such compliance is reviewed periodically by the Woolworths Group's internal auditors.

The Group holds various types of derivatives to hedge its exposures to variability in foreign exchange rates.

The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

#### 4.7.1 Market risk

##### (i) Interest rate risk

Interest rate risk is the risk that a change in interest rates may negatively impact the Group's cash flow or profitability because the Group's borrowings reset directly in accordance with interest rate benchmarks or reset regularly to current rates influenced by interest rate benchmarks. The risk is minimal to the Group given its borrowings are primarily held with related parties at fixed interest rates.

##### (ii) Foreign exchange risk

Foreign exchange risk is the risk that a change in foreign exchange rates may negatively impact the Group's cash flow or profitability because the Group has an exposure to a foreign currency or has foreign currency denominated obligations.

To hedge against the majority of this exposure, the Group uses approved derivatives to hedge up to 100% of the risk. The exposure to purchases of inventory in foreign currencies is primarily managed through forward exchange contracts. These are designated as cash flow hedges and the Group has established a 100% hedge relationship against identified exposures during the year.

Foreign currency exposures arising on translation of net investments in foreign subsidiaries are predominantly unhedged.

##### (iii) Hedging arrangements

At the reporting date, the fair value and notional amounts of derivatives entered into for hedging purposes for the Group are:

	NOTIONAL VALUE		FAIR VALUE ASSET		FAIR VALUE LIABILITY	
	2021 \$M	2020 \$M	2021 \$M	2020 \$M	2021 \$M	2020 \$M
<b>Cash flow hedges</b>						
Forward exchange contracts <sup>1</sup>	–	85	–	–	–	2
<b>Total</b>	–	85	–	–	–	2

<sup>1</sup> There were no forward exchange contracts at 27 June 2021 in order to prepare for the separation of Woolworths' and Endeavour's treasury functions on Demerger.

#### **Forward exchange contracts and foreign currency options**

At the reporting date, the Group did not have any forward exchange contracts hedging anticipated purchases of inventory and equipment. Therefore, the net amount of unrealised losses related to forward exchange contracts is \$nil (2020: \$2 million).

During the financial year all hedge relationships were assessed as highly effective with insignificant hedge ineffectiveness and a gain of \$2 million (2020: \$2 million loss) recognised in the hedge reserve.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.7 Financial risk management (continued)

#### 4.7.1 Market risk (continued)

##### (iv) Cash flow hedge reserve

The table below details the movements in the cash flow hedge reserve during the financial year:

	2021 \$M	2020 \$M
Balance at the start of year	2	–
<i>Gain/loss arising on changes in fair value of hedging instruments entered into for cash flow hedges:</i>		
Forward exchange contracts and foreign currency options	(2)	2
<b>Cash flow hedge reserve</b>	<b>–</b>	<b>2</b>

##### (v) Sensitivity analysis

At the reporting date, the Group's exposure to interest rate risk is not considered material. At reporting date, the Group's exposure to foreign currency risk after taking into consideration hedges of foreign currency payables and forecast foreign currency transactions is not considered material.

#### 4.7.2 Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient cash balances and access to funding sources to meet its cash obligations. This risk arises through the possibility that unusually large amounts may fall due for payment, there is an interruption to cash inflows due to technology incidents or banking system interruption, or there is an interruption to funding sources and markets.

The treasury policy has set an appropriate liquidity risk management framework for short, medium, and long-term funding requirements.

At reporting date, the Group had \$2,725 million (2020: \$1,975 million) in financing facilities in place with Woolworths with undrawn committed facilities of \$1,015 million (2020: \$894 million) available. These facilities were subject to certain financial covenants and undertakings. No covenants have been breached during the financial year.

Post reporting date the facilities with Woolworths noted above were replaced with external financing facilities as detailed in Note 6.4.

The following tables detail the Group's undiscounted non-derivative and derivative liabilities and their contractual maturities. The maturity profile of the Group's undiscounted lease liabilities is disclosed in Note 3.3.2.

2021	ONE YEAR OR LESS \$M	ONE TO TWO YEARS \$M	TOTAL \$M
<b>Non-derivative liabilities</b>			
Loans from related parties	1,710	–	1,710
Bank loans	4	–	4
Trade and other payables <sup>1</sup>	1,277	–	1,277
<b>Total</b>	<b>2,991</b>	<b>–</b>	<b>2,991</b>

<sup>1</sup> Excludes contract liabilities.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.7 Financial risk management (continued)

#### 4.7.2 Liquidity risk (continued)

2020	ONE YEAR OR LESS \$M	ONE TO TWO YEARS \$M	TOTAL \$M
<b>Non-derivative liabilities</b>			
Loans from related parties	–	1,081	1,081
Bank loans	2	–	2
Trade and other payables <sup>1</sup>	1,476	–	1,476
<b>Total</b>	<b>1,478</b>	<b>1,081</b>	<b>2,559</b>
<b>Derivative liabilities</b>			
Foreign exchange contracts	2	–	2
<b>Total</b>	<b>2</b>	<b>–</b>	<b>2</b>

<sup>1</sup> Excludes contract liabilities.

Cash flows represented are contractual and calculated on an undiscounted basis, based on current rates at the reporting date.

#### 4.7.3 Credit risk

Credit risk is the risk that counterparties who may be required to pay monies to the Group may fail and therefore not be able to make those payments.

Under the policy, the Group can only invest short-term surplus funds or execute derivatives with approved counterparty banks and financial institutions that are rated BBB+ or higher by Standard & Poor's (or equivalent with other rating agencies).

The recognised financial assets of the Group include amounts receivable arising from unrealised gains on derivatives. For derivatives which are deliverable, credit risk may also arise from the potential failure of the counterparties to meet their obligations under the respective contracts at maturity.

At the reporting date, no material credit risk exposure existed in relation to potential counterparty failure. Other than the loss allowance recognised in relation to trade and other receivables in Note 3.1, no financial assets were impaired or past due.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 4. Capital structure, financing, and risk management (continued)

### 4.7 Financial risk management (continued)

#### 4.7.4 Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each financial year. The following table provides information about how the fair values of these financial assets and financial liabilities are determined. They are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable.

- Level 1** Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3** Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	NOTE	FAIR VALUE ASSET		FAIR VALUE LIABILITY		FAIR VALUE HIERARCHY
		2021 \$M	2020 \$M	2021 \$M	2020 \$M	
Listed equity securities	3.2	87	84	–	–	Level 1

There were no transfers between Level 1 and Level 2 during the financial year.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis. The carrying value of cash and cash equivalents, financial assets, bank and other loans, and non-interest bearing monetary financial liabilities of the Group approximate their fair value.

### 4.8 Commitments for capital expenditure

Capital expenditure commitments of the Group at the reporting date are as follows:

	2021 \$M	2020 \$M
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	14	18
<b>Total capital expenditure commitments</b>	<b>14</b>	<b>18</b>



# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## 5 Group Structure

### 5.1 Subsidiaries

#### Deed of cross guarantee

On 4 February 2020 Endeavour Group Limited and its wholly owned subsidiaries at the time (together referred to as the Closed Group) entered into a Deed of Cross Guarantee (the Deed), as defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (the Instrument). The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the Instrument, the wholly owned subsidiaries within the Closed Group are relieved from the requirement to prepare, audit, and lodge separate financial reports.

#### COMPANY

Aceridge Pty Limited	Jimmy Brings Australia Pty Limited
ALH Group Pty Ltd	Management (BMG) Pty Ltd
ALH Group Property Holdings Pty Ltd	Manningham Hotel (BMG) Pty Ltd
Auspubs Pty Ltd	MGW Hotels Pty Ltd
Australian Leisure and Hospitality Group Pty Limited	Pinnacle Wines Pty Limited
Chapel Hill Winery Pty Ltd	Playford Tavern Pty Ltd
Club Management (BMG) Pty Ltd	Taverner Hotel Group Pty Ltd
Dorrien Estate Winery Pty Ltd	The Common Link Pty Ltd
E.G. Functions Pty Ltd	Vicpoint Pty Ltd
Elizabeth Tavern Pty Ltd	Vinpac International Pty Limited
Endeavour Custodian Pty Ltd	Warm Autumn Pty Ltd
Hadwick Pty Ltd	

In addition to the subsidiaries included in the Closed Group noted above, Endeavour Group International (NZ) Limited (100% owned) and Shorty's Liquor CBD Pty Limited (80% owned) are consolidated subsidiaries of Endeavour Group Limited for the entire financial year ended 27 June 2021.

The Company's investment in Shorty's Liquor CBD Pty Limited results in the recognition of an insignificant non-controlling interest.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 5. Group Structure (continued)

### 5.1 Subsidiaries (continued)

#### Deed of cross guarantee (continued)

A Statement of Profit or Loss and retained earnings, and Balance Sheet for the entities which are party to the Deed at the reporting date are as follows:

#### Statement of Profit or Loss and retained earnings

	2021 \$M	2020 \$M
Revenue from the sale of goods and services	11,563	4,129
Cost of sales	(7,901)	(3,022)
<b>Gross profit</b>	<b>3,662</b>	<b>1,107</b>
Other revenue	33	9
Branch expenses	(2,193)	(693)
Administration expenses	(603)	(383)
<b>Earnings before interest and tax</b>	<b>899</b>	<b>40</b>
Finance costs	(247)	(91)
<b>Profit/(loss) before income tax</b>	<b>652</b>	<b>(51)</b>
Income tax expense	(206)	(13)
<b>Profit/(loss) for the year</b>	<b>446</b>	<b>(64)</b>
<b>Retained earnings/(losses)</b>		
Balance at start of year	(60)	4
Profit/(loss) for the year	446	(64)
Dividends paid	(282)	–
Actuarial gain on defined benefit superannuation plans, net of tax	1	–
Other	(3)	–
<b>Balance at end of year</b>	<b>102</b>	<b>(60)</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 5. Group Structure (continued)

### 5.1 Subsidiaries (continued)

#### Deed of cross guarantee (continued)

##### Balance Sheet

	2021 \$M	2020 \$M
<b>Current assets</b>		
Cash and cash equivalents	435	373
Trade and other receivables	116	343
Inventories	1,202	1,257
	<b>1,753</b>	<b>1,973</b>
Assets held for sale	3	3
<b>Total current assets</b>	<b>1,756</b>	<b>1,976</b>
<b>Non-current assets</b>		
Trade and other receivables	40	40
Other financial assets	121	116
Lease assets	3,117	2,983
Property, plant and equipment	1,876	1,831
Intangible assets	3,829	3,823
Deferred tax assets	13	14
<b>Total non-current assets</b>	<b>8,996</b>	<b>8,807</b>
<b>Total assets</b>	<b>10,752</b>	<b>10,783</b>
<b>Current liabilities</b>		
Trade and other payables	1,276	1,470
Lease liabilities	428	414
Borrowings	1,710	–
Current tax payable	111	33
Other financial liabilities	–	750
Provisions	278	210
<b>Total current liabilities</b>	<b>3,803</b>	<b>2,877</b>
<b>Non-current liabilities</b>		
Lease liabilities	3,350	3,197
Borrowings	–	1,081
Other financial liabilities	3	–
Provisions	37	33
Deferred tax liabilities	171	204
Other non-current liabilities	3	4
<b>Total non-current liabilities</b>	<b>3,564</b>	<b>4,519</b>
<b>Total liabilities</b>	<b>7,367</b>	<b>7,396</b>
<b>Net assets</b>	<b>3,385</b>	<b>3,387</b>
<b>Equity</b>		
Contributed equity	3,873	4,031
Reserves	(590)	(584)
Retained earnings/(losses)	102	(60)
<b>Total equity</b>	<b>3,385</b>	<b>3,387</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 5. Group Structure (continued)

### 5.2 Parent entity information

Financial information for the parent entity, Endeavour Group Limited, is as follows:

	2021 \$M	2020 \$M
<b>Assets</b>		
Current assets	1,845	1,639
Non-current assets	6,079	6,058
<b>Total assets</b>	<b>7,924</b>	<b>7,697</b>
<b>Liabilities</b>		
Current liabilities	2,781	2,057
Non-current liabilities	951	1,658
<b>Total liabilities</b>	<b>3,732</b>	<b>3,715</b>
<b>Equity</b>		
Contributed equity	3,873	4,031
Reserves		
Cash flow hedge reserve	–	(1)
Remuneration reserve	10	–
Equity instrument reserve	(29)	(12)
Retained earnings/(losses)	338	(36)
<b>Total equity</b>	<b>4,192</b>	<b>3,982</b>
	2021 \$M	2020 \$M
Profit/(loss) for the year	658	(40)
Other comprehensive (loss) for the year, net of tax	(18)	(13)
<b>Total comprehensive income/(loss) for the year</b>	<b>640</b>	<b>(53)</b>

### Commitments for expenditure

	2021 \$M	2020 \$M
<b>Capital expenditure commitments</b>		
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

### SIGNIFICANT ACCOUNTING POLICIES

Financial information for the parent entity, Endeavour Group Limited, has been prepared on the same basis as the Consolidated Financial Statements with the exception of investments in subsidiaries which are accounted for at cost.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 5. Group Structure (continued)

### 5.3 Related parties

#### 5.3.1 Transactions with related parties

Following the Restructure, Endeavour Group and Woolworths Group gave effect to a series of medium-term and long-term strategic agreements, referred to as Partnership Agreements, which are intended to be mutually beneficial for both groups. These agreements cover key business areas including the provision of goods and services related to supply chain & stores, loyalty & fintech, digital & media and business support as well as the international distribution of Pinnacle products to Woolworths Group's retail network in New Zealand.

In certain circumstances, Woolworths Group settles liabilities with third parties on the Group's behalf and subsequently recovers the third-party costs by on-charging without a margin. The Group views the on-charging of third-party costs without a margin as transactions with a third party. Therefore, these transactions have not been disclosed as related party transactions. However, as balances that remain unsettled at the reporting date are amounts owed to related parties, these are disclosed as related party payables even if related to third party costs.

During the financial year, the Group conducted various transactions with BMG entities, who are related parties via BMG's shareholding in the Company.

All transactions occurred on the basis of normal commercial terms and conditions. Balances and transactions between the Company and its controlled entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

#### 5.3.2 Transactions with Woolworths Group Limited and its controlled entities

During the financial year, the Group entered into the following trading transactions with related parties that are not members of the Group:

	2021 \$000	2020 \$000
<b>Charges from Woolworths Group Limited and its controlled entities</b>		
Receipt of services	368,928	129,891
Rental charges <sup>1</sup>	53,671	23,385
Purchase of assets	44,483	11,481
Finance costs on borrowings	73,678	17,713
<b>Total charges from Woolworths Group Limited and its controlled entities</b>	<b>540,760</b>	<b>182,470</b>
<b>Sales to Woolworths Group Limited and its controlled entities</b>		
Sales of goods	11,121	10,771
<b>Total sales to Woolworths Group Limited and its controlled entities</b>	<b>11,121</b>	<b>10,771</b>

<sup>1</sup> Rental charges represent payments made by Endeavour Group and its controlled entities under lease arrangements where Woolworths is (or its controlled entities are) lessor. Note 3.3.2 details the balance of lease liabilities associated with these lease arrangements.

Amounts owed to and receivable from Woolworths Group Limited and its controlled entities are disclosed in Notes 3.1, 3.8 and 4.6.2.

#### 5.3.3 Transactions with BMG

Endeavour Group incurred charges from BMG related entities of \$13 thousand for services and goods received (2020: \$12 thousand). Endeavour Group received rental income from BMG related entities of \$41 thousand (2020: \$17 thousand).

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 5. Group Structure (continued)

### 5.3 Related parties (continued)

#### 5.3.4 Directors and Key Management Personnel

All transactions with directors and Key Management Personnel (including their related parties) were conducted on an arm's length basis in the ordinary course of business and under normal terms and conditions for customers and employees. Related parties of Key Management Personnel who are employees received normal employee benefits on standard terms and conditions.

The total annual remuneration for Key Management Personnel of the Group is as follows:

	2021 \$	2020 \$
Short-term benefits	1,790,912	1,521,444
Post-employment benefits	45,438	25,000
Other long-term benefits	14,193	14,266
Share-based payments	2,119,182	940,453
<b>Total remuneration</b>	<b>3,969,725</b>	<b>2,501,163</b>

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## 6 Other

### 6.1 Contingent liabilities

The Group has entered the following guarantees, however the probability of having to make a payment under these guarantees is considered remote:

	2021 \$M	2020 \$M
Bank guarantees	25	16
<b>Total bank guarantees</b>	<b>25</b>	<b>16</b>

No provision has been made in the Report in respect of these contingencies.

### 6.2 Employee benefits

The employee benefits expense for the Group is as follows:

	2021 \$M	2020 \$M
Remuneration and on-costs	1,231	415
Superannuation expense	99	29
Salary and wages remediation expense	52	–
Share-based payments expense	26	8
<b>Total employee benefits expense</b>	<b>1,408</b>	<b>452</b>

#### Defined contribution plans

The majority of employees in Australia and New Zealand are part of a defined contribution superannuation scheme and receive fixed contributions from the Group in accordance with statutory obligations.

## SIGNIFICANT ACCOUNTING POLICIES

### Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date. The fair value excludes the effect of non-market based vesting conditions.

The fair value of instruments with market-based performance conditions (e.g. TSR) is calculated at the date of grant using a Monte Carlo simulation model. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per instrument.

The fair value of instruments with non-market-based performance conditions (e.g. EPS, sales per trading SQM, ROFE) and service conditions and retention rights is calculated using a Black-Scholes option pricing model.

The fair value determined at grant date is expensed on a straight-line basis over the vesting period based on the number of equity instruments that will eventually vest. There is a corresponding increase in equity, except where the ultimate parent company recharges the Group for the cost of participating in the LTI plan, with the amount of that recharge offset against related party payables.

At each reporting date the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. Any change in original estimates is recognised in profit or loss with a corresponding adjustment to reserves or related party payables.

# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 6. Other (continued)

### 6.3 Auditor's remuneration

The auditor's remuneration for the Group is as follows:

	2021 \$'000	2020 \$'000
<b>Deloitte Touche Tohmatsu Australia</b>		
Audit or review of financial reports	1,945	1,635
<b>Total audit or review of the financial reports</b>	<b>1,945</b>	<b>1,635</b>
Other assurance and agreed-upon procedures under other legislation or contractual agreements	50	70
Other services:		
Other non-assurance services	19	–
<b>Total other services</b>	<b>69</b>	<b>70</b>
<b>Total auditor's remuneration</b>	<b>2,014</b>	<b>1,705</b>



# Notes to the Preliminary Final Report

for the financial year ended 27 June 2021

## Note 6. Other (continued)

### 6.4 Subsequent events

#### The Demerger

On 28 June 2021, Endeavour Group separated from Woolworths Group with Woolworths making a distribution of 70.8% of Endeavour Shares to eligible Woolworths Group shareholders on a one-for-one basis. The remaining 29.2% of Endeavour Shares were retained by BMG (14.6%) and Woolworths Group (14.6%).

In conjunction with the Demerger, on 24 June 2021, Endeavour Shares started to separately trade on the Australian Securities Exchange on a deferred settlement basis with normal settlement commencing on 1 July 2021 under the code 'EDV'.

#### Newly entered external financing facilities

Following completion of conditions precedent on 28 June 2021, the Company entered into the following unsecured committed facilities:

- \$1,900 million syndicated loan facility split into two tranches (\$900 million maturing June 2025 and \$1,000 million maturing June 2026);
- \$600 million in bilateral loan facilities maturing June 2024.

In addition, \$80 million in unsecured committed bank guarantee facilities were entered into on the same date.

All the above facilities are based on market standard terms and conditions including undertakings to comply with thresholds on certain financial covenants.

The syndicated loan facility was partially drawn down on 28 June 2021 to repay \$1,712 million in outstanding related party loans with Woolworths. The \$1,712 million repaid represents \$1,710 million in current borrowings disclosed in Note 4.6.1 and \$2 million in accrued interest recognised as trade and other payables.

#### Hotel closures across Australia

The Group closed a number of hotels across Australia related to the following state and territory lockdowns:

- New South Wales: Lockdown commencing 26 June in Greater Sydney resulted in the closure of 41 hotels. The number of affected Local Government Areas in the state has increased in the intervening period and all 54 hotels are now closed.
- Victoria: Lockdowns occurred from 15 to 27 July and recommenced from 6 August, which resulted in the closure of 80 hotels. Lockdown recommenced on 21 August for Regional Victoria closing four hotels, which previously reopened on 10 August.
- Queensland: Lockdowns occurred from 29 June to 3 July and 31 July to 8 August, which resulted in the closure of 92 hotels.
- South Australia: Lockdown occurred from 20 to 27 July, which resulted in the closure of 33 hotels.
- Northern Territory: Lockdown commenced 16 August with the closure of four hotels. Lockdown ended for Greater Darwin on 19 August and all four hotels reopened.
- Western Australia: Lockdown restrictions were lifted on 2 July, which resulted in the reopening of 24 hotels.

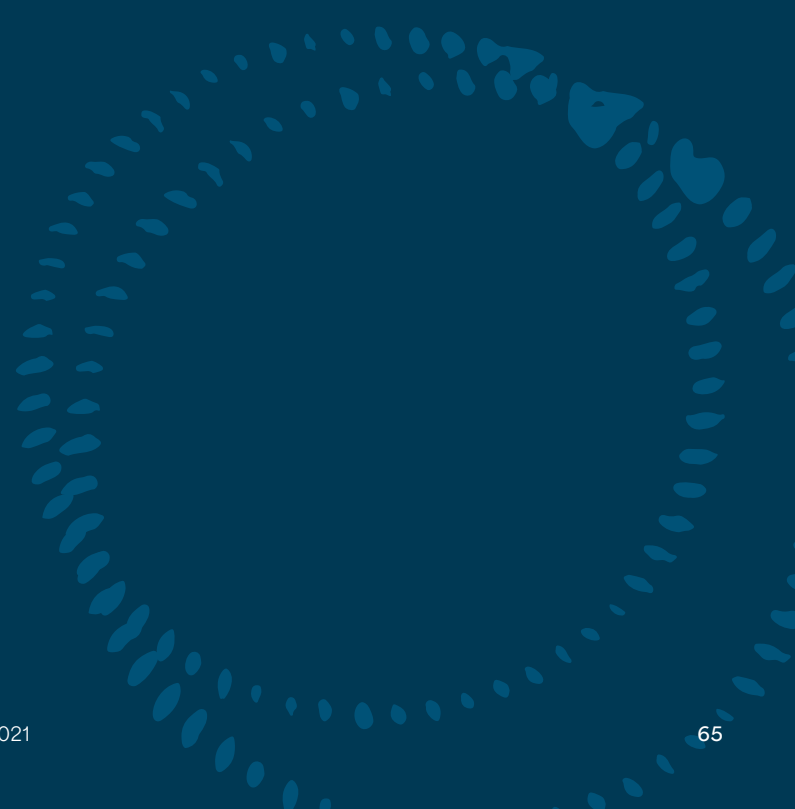
BWS and Dan Murphy's stores in the above affected areas continued to operate under COVID-19 regulations with increased focus on employee and customer health and wellbeing.

#### F21 final dividend

On 26 August 2021, the Board of Directors determined to pay a final dividend in respect of the financial year ended 27 June 2021 of 7.0 cents per ordinary share fully franked at a 30% tax rate. Refer to Note 4.2 for further information.



# Other Information



# Other information

Endeavour Group Limited and its controlled entities  
For the financial year ended 27 June 2021

## Other information

### Glossary

TERM	DESCRIPTION
<b>Cash realisation ratio</b>	Operating cash flow as a percentage of Group net profit after tax before depreciation and amortisation
<b>Comparable sales</b>	Measure of sales which excludes stores that have been opened or closed in the last 12 months and demonstrable impact on existing stores from store disruption because of store renewals or new store openings/closures
<b>Cost of doing business (CODB)</b>	Expenses which relate to the operation of the business
<b>Drive-thru</b>	Convenient options for customers to pick up online orders or shop using drive through facilities
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>Free cash flow</b>	Cash flow generated by Endeavour Group after equity related financing activities including dividends and repayment of lease liabilities
<b>Funds employed</b>	Net assets employed, excluding net tax balances
<b>n.m.</b>	Not meaningful
<b>Net assets employed</b>	Net assets excluding net debt and other financial assets and liabilities
<b>Net Promoter Score (NPS)</b>	A loyalty measure based on a single question where a customer rates a business on a scale of zero to 10. The score is the net result of the percentage of customers providing a score of nine or 10 (promoters) less the percentage of customers providing a score of zero to six (detractors)
<b>On-demand/express delivery</b>	An express or scheduled delivery service providing online orders at the customer's convenience
<b>Online penetration</b>	Online penetration is calculated as total online sales as a percentage of total Retail sales for the same time period
<b>Operating cash flow</b>	Represents the net of cash inflows and cash outflows associated with operating activities
<b>Pick up</b>	A service which enables collection of online shopping orders in-store or at select locations
<b>Renewals</b>	A total store transformation focused on the overall store environment, team, range and process efficiency (including digital)
<b>Return on Funds Employed (ROFE)</b>	ROFE is calculated as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed including significant items provisions
<b>Sales per square metre</b>	Total Retail sales for the previous 12 months divided by the average trading area of Retail stores
<b>Total net debt</b>	Borrowings less cash balances including debt hedging derivatives and lease liabilities
<b>Voice of Customer (VOC)</b>	Externally facilitated survey of a sample of Endeavour Group customers where customers rate Endeavour Group businesses on several criteria. Expressed as the percentage of customers providing a rating of six or seven on a seven-point scale
<b>VOC NPS</b>	Voice of Customer Net Promoter Score is based on feedback from Woolworths Rewards members (for BWS) or My Dan's members (for Dan Murphy's). VOC NPS is the number of promoters (score of nine or 10) less the number of detractors (score of six or below)

### Comparable sales periods

Comparable sales growth in F21 is calculated by comparing the following weeks.

	Q1'21	Q2'21	Q3'21	Q4'21
F21	29 Jun 2020 – 4 Oct 2020	5 Oct 2020 – 3 Jan 2021	4 Jan 2021 – 4 Apr 2021	5 Apr 2021 – 27 Jun 2021
F20	1 Jul 2019 – 6 Oct 2019	7 Oct 2019 – 5 Jan 2020	6 Jan 2020 – 5 Apr 2020	6 Apr 2020 – 28 Jun 2020

