

# THE FABAL GROUP PTY LTD



# 2020 ANNUAL REPORT

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## AN OVERVIEW OF THE FABAL GROUP

### **THE FABAL GROUP (“FABAL” OR “GROUP”)**

F♦A♦B♦A♦L is owned by 31 shareholders representing 10 Australian families. The core focus of our businesses are agribusiness and agri-tourism in the food and beverage arena. FABAL manages its various businesses from Adelaide and Melbourne, Australia.

FABAL operates in four related areas of agribusiness streams. It also has joint ventures and investments in food, agribusiness and non-food businesses.

Our key operating businesses are FABAL Operations Pty Ltd (or “FOPS”) in vineyard management, FABAL Vineyards (“Vineyards”)/FABAL Equipment (“Equipment”) in vineyard labour and equipment supplies and FABAL Wines (“Wines”) in wine sales and tourism operations.

An overview of the Group’s various businesses lines are illustrated in the following table.

BUSINESS TYPE	WINE & VITICULTURE INDUSTRY	OTHER FOOD INDUSTRIES	NON-FOOD INDUSTRIES
MANAGEMENT	FOPS, VINEYARDS, EQUIPMENT	FOOD AND BEVERAGE AUSTRALIA PL	
OWNERSHIP	WINES, VINEYARD ROAD ESTATE	FABIL	
CONSULTING/ADVISORY	FOPS, ADVISORY	ADVISORY	
INVESTMENT	NVFAL, MEL, NVFA3L, KVL	FIL	FIL, TOTAL BEVERAGE AUSTRALIA
AGRIBUSINESS RETAIL JV’S		VASSE VIRGIN @ SEPPELTSFIELD – 50% BAROSSA VALLEY CHOCOLATE CO. – 50% FLEURIEU CHOCOLATE COMPANY – 50%	MARATHON WATER – 50%

Since 2016, FABAL has continued to evolve with acquisitions of two wholly owned vineyards in the premium wine regions of Barossa Valley and McLaren Vale and a number of further investments, including Project Wine.

Our three joint ventures are Natural Olive Oil Skincare Australia (trading as “Vasse Virgin”), Chocolate Ventures Australia (trading as “Barossa Valley Chocolate Company” and as “Fleurieu Chocolate Company”) and Marathon Water. All of our joint ventures are currently 50% owned by FABAL Investments (“FIL”). Our investment in other food and beverage companies are also held in FIL.

### **OUR PROFITABILITY**

The Directors have again split the Income Statement between ordinary business, e.g. **Profit After Tax (“PAT”)**, and PAT with other business known as **Comprehensive Income after Tax (“CIT”)**. This removes the impact or effects of the ‘write up/write down’ in asset values and some ‘one-off’ expenses or income.

The **PAT** for the 2020 financial year was \$764,043 compared with \$511,585 in 2019. The **CIT** for the 2020 year was a profit of \$194,690 compared with \$2,079,893 in 2019, the drop being due to valuation adjustments.

As we have now done for the past decade, we provide a realistic comparison across the years (known as **Underlying Business PAT (“UBPAT”)**) where we eliminate ‘one-off effects’ and seek to show our shareholders the true performance of the business without the influence of accounting standards. The **UBPAT** for 2020 was \$474,294 which is higher (9.3%) than the \$433,716 in the previous year.

Dividends per share will be recommended to the Annual Meeting at 16.0 cents per share, up 2.0 cents from 2019. Subject to cash flow, the directors are seeking to split the amounts to payments in early December 2020 and April/May 2021. Convertible Preference Share dividends were paid in September 2020 and will be paid in March 2021.

### **OUR BUSINESS STRUCTURE**

The Directors continue to refine the business structure, and, over the past 3 years, we have seen considerable change within our defined agribusiness space. Our key move has been into the new agri-tourism opportunities referred to above to support, where possible, our wine business development. While the effects of COVID-19 have impacted these businesses severely, we are confident that the direction we have taken will have the targeted outcome in the medium to long term. We will illustrate this later in the report.

## HISTORICAL INFORMATION

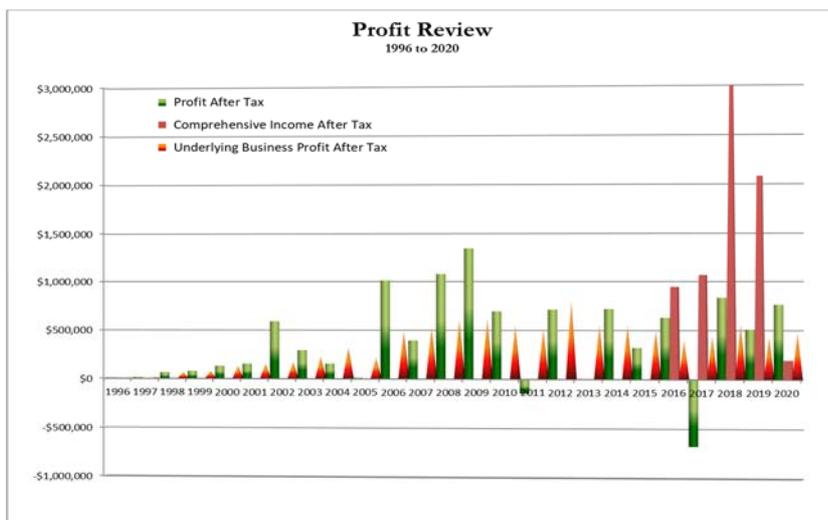
### **HISTORICAL INCOME SNAPSHOT**

During the year ended 30 June 2020, FABAL made an acceptable PAT of \$764,043.

FABAL had the further opportunity to revalue its agribusiness portfolio upwards. During the year ended 30 June 2020 the net result of this revaluation was negative, and the revaluation caused a fall to CIT by \$569,353.

Shares in each of our key investments, **National Vineyard Fund of Australia Limited (“NVFAL”)**, **National Vineyard Fund of Australia (No.3) Limited (“NVFA3L”)**, **Kayinga Vineyards Limited (“KVL”)** and **Marandoo Estate Limited (“MEL”)**

continued a small upward trend in valuation but this was offset by some other negative valuations elsewhere across the Group. Unfortunately, the disastrous effects of hail, frost, fire, wind all had impacts on their performances in 2020. In 2020, only NVFA3L and KVL paid dividends to shareholders while others paid no dividends due to their negative financial results brought about by the climatic impacts.

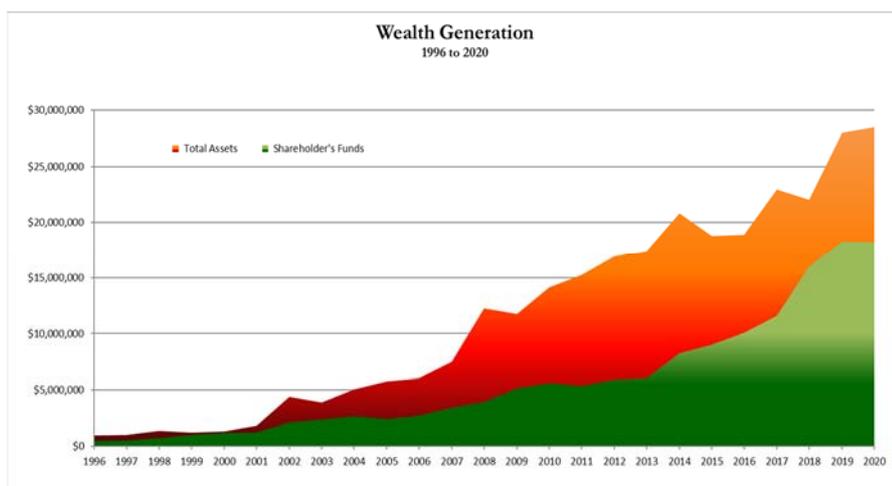


### **BALANCE SHEET SNAPSHOT**

Due to the Net Asset Value of the shares in each of major investments improving, FABAL’s balance sheet at the end of 2020 has improved again with the Total Assets improving by \$28.5 million.

Accordingly, our net worth, which is defined by Shareholders Funds, has increased slightly to \$18.4 million at balance date due to a combination of PAT and the revaluation of the investments discussed above.

The balance sheet of the Group remains in a solid condition and is now much simpler to understand, particularly as we consolidate our ownerships in FIL.

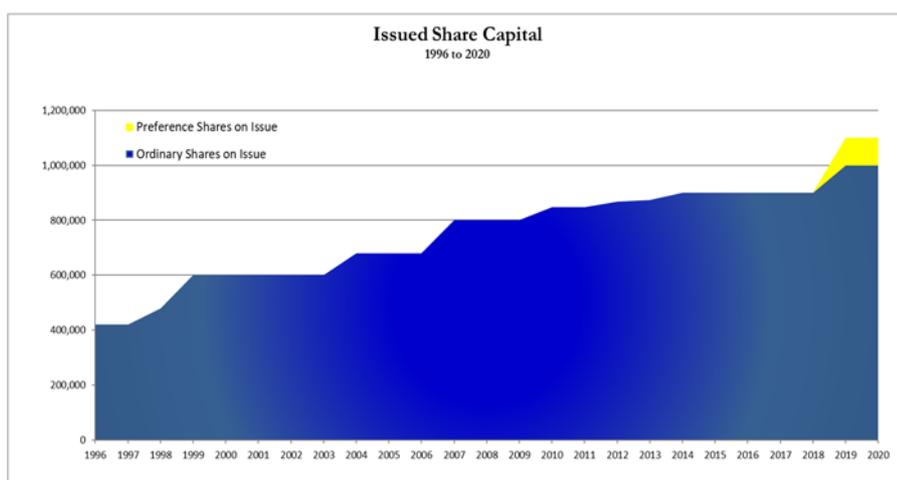


### **OWNERSHIP & GROWTH**

FABAL has 31 shareholders holding 1,000,000 ordinary shares and 100,000 convertible preference shares (“CPS”), including the three of the four founders, Chris, Peter and Dim (“the Founders”).

The March 2019 issue of CPS will mature in March 2024. Shareholders may be able to convert to ordinary shares at an earlier date if the board and shareholder agree.

The CPS issue (yellow bar) was the first pro-rata capital raising to shareholders since 1998.



## HISTORICAL INFORMATION

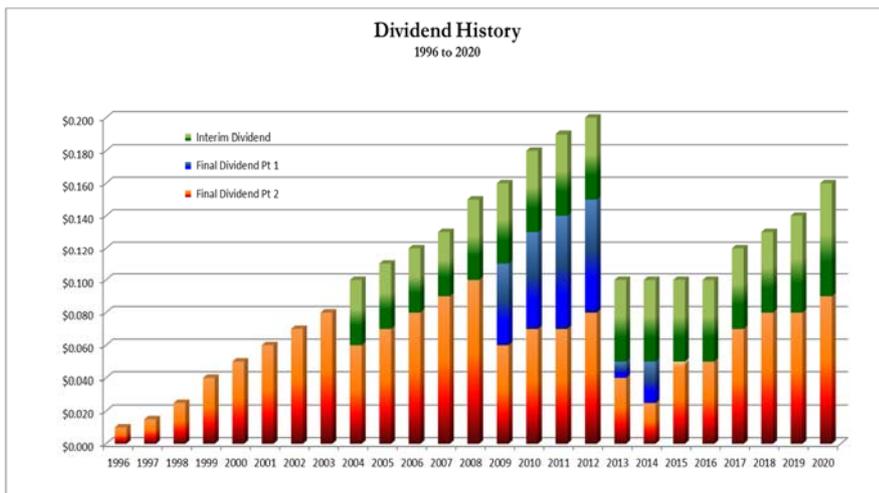
### ***DIVIDENDS REVIEW***

Our long-term aim is to consistently pay dividends to shareholders based on 33.33% of **UBPAT** (or real profit).

Subject to discussion at the Annual General Meeting (“AGM”), the Directors are expecting to declare and pay 16.0 cents/share divided between a December interim dividend of 7.0 cents per share and a final dividend of 9.0 cents per share in April/May 2021.

The dividend set at 16.0 cents/share would represent approximately 33.7% of **UBPAT**. This is above the average rate during the past 10 years of 23.7% of **UBPAT**.

Given the current climatic conditions facing FABAL in our agribusiness and investments we are making in new businesses, the Board consider it prudent to maintain the payout ratio at around 24.0% of **PAT**.

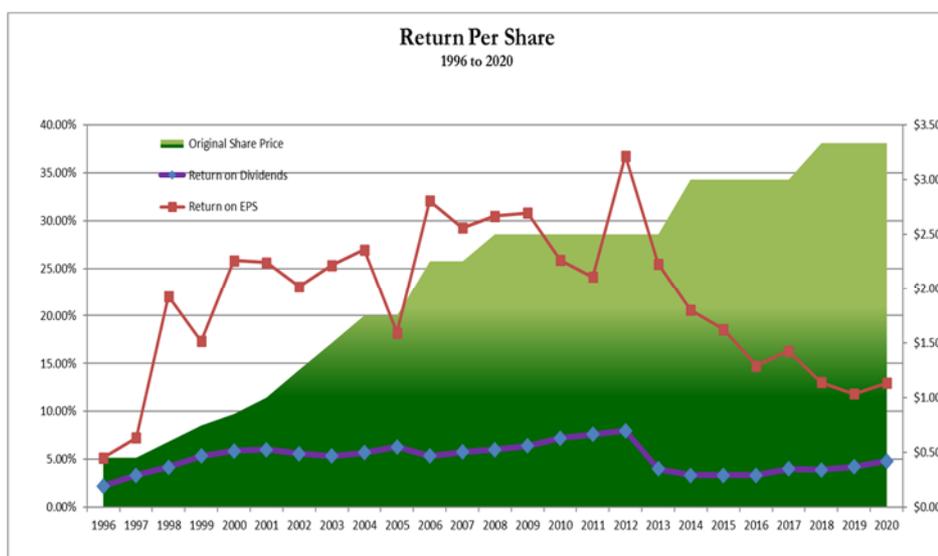
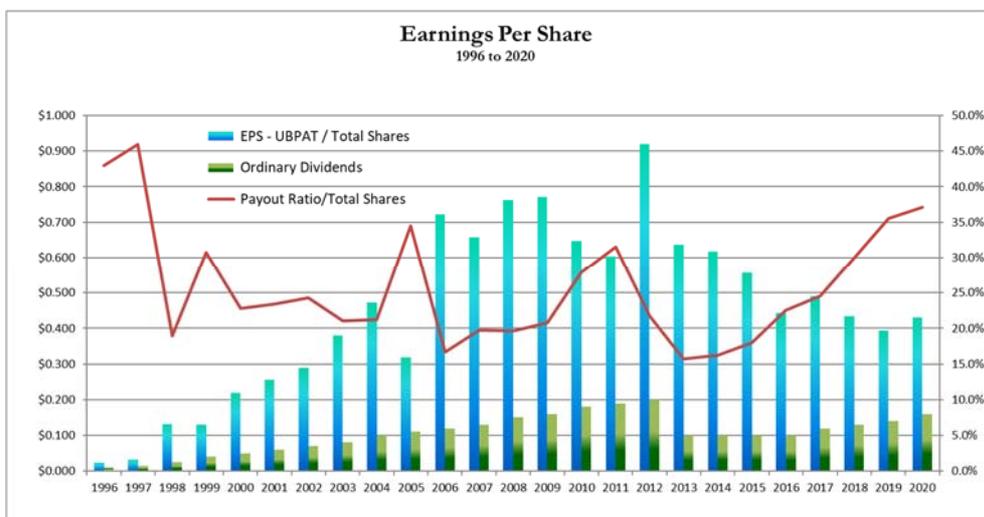


### ***RETURN ON INVESTMENT & DISTRIBUTION FOCUS***

FABAL has tracked its return for shareholders over the past 25 years in the graph to the right.

The Returns Per Share are estimated against the issue and sale prices for shares over the past 15 months of \$3.33 per share.

However, we note that the Net Tangible Assets of \$13.86/share is considerably higher than the current trading range of the share price which is around \$3.33/share.



While both graphical illustrations (above and left) show variable earnings/returns per share, the Board is satisfied that the Company continues to grow in value.

The Board wishes to continue to reward shareholders with cash dividends where it is prudent to do so.

The key business strategy focuses management and directors on endeavouring to increase both the profitability of the Group and the dividends payable to shareholders.

# CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

## **THE YEAR IN REVIEW**

### **Introduction**

On behalf of the Board of FABAL, we are pleased to be able to present the 31<sup>st</sup> Annual Report for our Company in respect of the year ended 30 June 2020.

Notice for the Annual General Meeting ("AGM") of the Company has already been sent to all shareholders. It will be held on Thursday 10 December 2020 at 5.30 pm.

We hope that you can attend the meeting. If you are unable to attend, you will be able to dial in via video conferencing facilities.

During 2020, FABAL has had a slightly better performance compared to the previous 3 years. As always, there have been highs and lows that have altered the true performance. **UBPAT**, the true indicator of ongoing performance was up 9.3% from 2019 and the Board were encouraged by the performance.

### **Board and Management**

While our Board has been stable at 5 people for the past 12 months, we remain on the lookout for an additional director with specific skills to complete it.

We also note the key changes in management during the past 12 months. Our new CFO, Daniel McLean, commenced in February 2020 with an immediate positive impact and we have added a new position of Group Manager, Marketing (Lachlan Aird) for the first time in December 2020 to deal with our corporate and retail branding.

### **Our Business Environment**

We continue to go about FABAL's business in a challenging business environment. COVID-19 is the word and its effect on world economies has been devastating.

Then you must add the political impact of a silent trade war between China and Australia (and many other countries). Together with the climatic events over the past year, particularly in South Australia, our environment has seen one of the most tumultuous operating situations we have ever faced in the modern wine and grape industry. We were confident of our great upward trajectory in front of our business in December 2019 (our last AGM) and this has been stunted in the short time since then.

There is no doubt that the growth of China as a consumer of Australian food and beverages was the leading factor in the wine industry resurgence but now this has been thrown into uncertainty by political disruption from Beijing and elsewhere.

However, today, despite the COVID-19 and economic mess we live in, there is a view of the Board that we are now entering one of the most promising phases for FABAL in the past 15 years. However, we have many hurdles that we must continue to clear before we can enjoy the successes.

### **Reviewing Who We Are**

During the year, we implemented a marketing strategy which examined who we are and what we intend to be. Our management led the Board approved strategy, which sees us repositioning ourselves in value-added marketplaces because we were limited by our previous positioning as only the provider of raw material services.

While the developing wine, chocolate and skincare enterprises are preparing us to serve a higher value consumer exposure, our Board has considered whether this may send mixed marketing messages. As a result, we continue to refine our corporate and product branding positions, which you will see evolve over time. The new GM of Marketing is being appointed to manage and develop this direction.

### **Reviewing What We Do**

**Growing Grapes:** Our core business continues to be vineyard management, growing grapes for ourselves and others and selling 90% of those raw products to winemakers in Australia, mostly the top 5 groups.

Over the past 6 years, we have seen the market go from surplus to shortage and this is now helping prices move up in all regions in which we operate (even modestly in Margaret River). Striking a balance between pricing and relationship is a tricky matrix to navigate and Ashley Keegan continues his success maintaining both with our four core customers.

**Owning Vineyards:** Until 2018, FABAL had never owned 100% of any property, vineyard or business. FABAL now owns 100% of Vineyard Road Estate (Barossa Valley) and recently moved to 100% of Vineyard Road Estate (McLaren Vale). This gives us ownership and access to the two most important wine regions in South Australia and by international reputation, Australia.

**Making Bulk Wine:** We have been making bulk wine since 2009 and this continues to make additional income for FABAL and our managed businesses. This programme is working well with our joint venture partner, Project Wine, but we continue to come under pressure with the increasing grape prices that we spoke about above.

## CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

### **THE YEAR IN REVIEW (CONT.)**

**Selling Branded Food, Beverage and Wines:** We commenced our venture into branded retail and wholesale businesses in 2016. This is becoming increasingly important to our business every year.

We have been making wine for our owners and managed entities for nearly 20 years but this was not a viable business on its own. In 2011, after some poor performances by our managed entities, we realised that bulk wine and some branded wine would be a game changer.

In March 2016, we opened the Vineyard Road Cellar Door ("VRCD") at Langhorne Creek with our Vasse Virgin skincare range in the same small complex. While it was slowly building momentum, it was not as quick as we had planned. Accordingly, we have increased the footprint over the past 2 years to include the new **Fleurieu Chocolate Company ("FCC")**. Despite COVID-19, these changes have seen further growth in traffic, sales and financial returns to FABAL.

In March 2017, we opened a VRCD site in our city office. We service our wide range of shareholders and hold public tasting/sales should customers wish to drop in. This continues to add value to our business and is led capably by Irene Kamm.

In December 2017, we opened Vasse Virgin @Seppeltsfield, a purpose-built retail shop selling over 200 products from soaps and beauty products through to giftware and luxury foods and condiments. This is a 50% owned business with the founders from Margaret River, rather than our original distribution arrangement.



The interior of Vasse Virgin @Seppeltsfield

In March 2019, we opened our agri-tourism venture with **Barossa Valley Chocolate Company ("BVCC")** and VRCD in the Barossa Valley. This is also a 50% jointly owned business.

The other BVCC shareholders are the originators of the concept and some local Barossa families.



Aerial view of Barossa Valley Chocolate Company complex

Today, as a result of these exciting developments, FABAL now has diverse offerings to retail customers of:

1. **Vineyard Road:** Premium wine from Langhorne Creek, Barossa Valley, Clare Valley and Heathcote sold in 3 VRCDs;
2. **Vasse Virgin:** Luxury natural olive oil-based skincare from South Australia and Western Australia based in the Barossa Valley and Langhorne Creek;
3. **BVCC + FCC:** Artisan chocolate made in our own chocolate production kitchen in the Barossa Valley and sold in two retail outlets at VRCD Langhorne Creek and BVCC;
4. **Café/Food:** A premium café at BVCC with ice-creamery, all products made at BVCC.

**Strategy:** A key change to our strategy over the recent months is to use our growing financial strength to own 100% of our investments wherever possible rather than joint ventures or smaller than 50% holdings.

During the year, we also continued to simplify our business operations and increase our investment into our managed businesses.

Our current holding in NVFAL is 43.2% and it is now our most valuable investment. The Board will consider increasing this over time.

FABAL is a significant shareholder in MEL with 31.6% and we also would like to increase this over time.

FABAL also has smaller holdings in two other managed businesses of NVFA3L and KVL. It will not be possible to increase these to 50% in the medium term so a portfolio investment will be maintained.

## CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

### **THE YEAR IN REVIEW (CONT.)**

#### **Reviewing What We Are Exiting**

Food and Beverage Australia Pty Ltd and Total Beverage Australia Pty Ltd (“TBA”) have endured another loss year due to their association with the old cherries’ and avocados’ businesses. This has required us to continue legal action against groups which have refused to pay fees to both of these subsidiaries.

In major cases against specific groups, we were successful in two legal action during the year. However, the court system in Australia is slow and cumbersome and we have not received any of the compensation awarded of over \$1.0 million at this time. It is likely that we will never receive anything but FABAL’s potential exposure has significantly reduced with these successful outcomes.

### **FINANCIAL PERFORMANCE**

#### **Profitability**

The **CIT** for the year of \$194,690 was well below the 2019 year of \$2,079,893. This was due entirely to valuations and adjustments to the balance sheet.

The **PAT** for the year was higher than the 2019 year. The **PAT** for the year was \$764,043 compared to a profit of \$511,585.

Once again, FABAL’s balance sheet “bottom line” grew slightly due to profitability and revaluation of our long-term investments in NVFAL, MEL, KVL and NVFA3L. The adjustments in 2020 in both FABAL and FIL/PPUT represented nearly (\$0.57 million) in **CIT**.

#### **Underlying Business Profit (“UBPAT”)**

The **UBPAT** in 2020 was \$474,294 compared to the 2019 year at \$433,716, an increase of \$40,578.

#### **Dividends**

Your Directors are proposing to increase the total dividend to 16.0 cents per share on 1,000,000 ordinary shares (or \$160,000 in total), up 2.0 cents from 2019. If approved at the AGM, dividends will consume approximately 33.7% of **UBPAT**.

In addition, the Company paid two dividends on 100,000 CPS in September 2019 and March 2020 on a pro-rata basis. The CPS carry a fixed dividend of 5% which is equivalent to 16.65 cents per share. The cash requirement to fund CPS dividend payments to shareholders has been offset from investments in convertible shares that FIL has taken in Project Wine and MEL.

### **SHARE PRICE & DIVIDENDS**

**Share Price:** During the year there have been two share sales or transfers. The only sale price over the last 15 months has been at \$3.33/share. The CPS issue was also offered at \$3.33/share in March 2019.

At this time, there is no voting distinction made between ordinary and CPS and according the share sales have traded at the same price (see dividend discussion below).

A future transaction is likely to be more reflective of a current share price now that the court actions discussed earlier have been determined and it is unlikely that FABAL will face a huge liability from these cases.

**Dividends:** Ordinary dividends have been set at 16.0 cents for 2021 distribution. CPS dividends are fixed at 16.65 cents for 5 years. Currently the distribution is very similar. If the same price is attached to each type of share, the return is similar.

Some shareholders may be interested in earlier CPS conversion with the agreement of the Board. For example, if the ordinary dividends were projected to exceed 17.0 cents per share (on a regular basis), the individual shareholder may believe that they are financially better off. FABAL cannot provide advice to any shareholder on their own financial affairs.

### **SHAREHOLDERS AGREEMENT**

#### **The 2007 Agreement**

In 2007, all shareholders entered into the **Shareholders Agreement (“SHA”)** that provided, amongst other things, certain advantages to three of the four Founders (called the “**Directorate**”) in relation to decision making, management fees, share of profits and acquisition of shares. {Note: All shareholders that entered after 2007 have been requested to sign a Deed Poll of Accession / Assumption}.

Now, 13 years later, the majority of your Board believe that this agreement is an impediment to the future direction and operations of the Company. Only one of the Directorate is now actively involved in management and one of the other two Directorate hold various Board positions.

After the discussion at the AGM, the Chair intends to propose a resolution in relation to cancel/terminate the SHA, which is fully supported by a majority of the Board. Any cancellation or termination will require the agreement of all shareholders.

# CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

## **OUR GOVERNANCE & MANAGEMENT**

### **The Oversight of our Group**

Your Board is charged with the oversight responsibilities of the Group in governance, compliance, risk and finance. The Board meets at least 5 times annually and has established two committees to assist in its responsibilities – Audit and Governance & Risk. There are three independent directors who play an important role in the Board and these Committees.

### **The Management of our Group**

There is also a FABAL executive management committee ("**EMC**") of 10 people. The EMC operates the corporate, finance and commercial functions of the Group.

- ◆ Chris Day is the Group's Chief Executive Officer.
- ◆ Ashley Keegan is CEO of FOPS and Vineyards.
- ◆ Chris Dundon is CGO and is responsible for governance and horticulture.
- ◆ Daniel McLean is responsible for finance.
- ◆ Irene Kamm manages investor relations and cellar doors.
- ◆ Chiqi Zhang manages accounting for the Group and marketing our products in China.
- ◆ Marcia Frost, appointed November 2020, manages tourism, hospitality and events.
- ◆ Michelle Horton manages people resources and payroll.
- ◆ Lachlan Aird, appointed December 2020, is the newest EMC member managing marketing for the Group.
- ◆ Dim Georgiadis is involved with business development in conjunction with the above group.

FABAL provides the support services, including finance, to all subsidiaries, including FOPS, Vineyards, Equipment, Wines and Advisory businesses.

## **THE BUSINESS ENVIRONMENT**

### **Food, Agribusiness and Beverage Projects**

**External Environment:** The Australian food and beverage landscape continued its spectacular turnaround over the past 6 years, until it simultaneously hit the COVID-19 wall and the political and economic impact of the China/Australia "cold war".

The food, beverage and agribusiness space was providing significant opportunities for the FABAL businesses until the dual impact.

Much of the world is currently in recession and we must be mindful of the risks that follow the downturn in all major global economies. Your Board spends considerable time reviewing these risks and the potential to impact on the business.

A major risk currently is climatic – drought, frost, floods, fire, winds have in recent years all affected much of eastern and southern Australia. This creates significant issues for any food and beverage producer and FABAL is not immune.

Our more recent focus is to brand as much of the exported food and beverage as possible and associate it with the FABAL corporate name.

**Wine Industry:** FABAL continues to consider the opportunities and risk factors when making major decisions on wine, food or other procurement and sourcing.

Our major customers, Treasury Wine Estates (Penfolds and Wolf Blass), Pernod Ricard (Jacobs Creek and St Hugo), Accolade (Hardys and Grant Burge) each have significant growth strategies for Australia wine in each of the key Asian markets.

They are tempered by the current impact of the China review of alleged dumping of Australian wine and so we are mindful of the potential impact on their businesses and how it would affect the operations for FABAL and its managed entities.

We continue to seek and implement alternatives to mitigate risks for the 2021 and subsequent vintages. These continuing grape supply contract related issues currently pose the greatest challenge to our business but also pose a significant opportunity.

**Food Industry:** FABAL is also looking at ways to develop direct market access for food and agribusiness products.

The desire in Asia for 'clean and green' produce from Australia has given us the confidence to develop market opportunities in these specific food categories.

While it may take some time, it will be backed onto the successful wine push discussed above.

## CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

### **BANKING**

**Relationship:** FABAL has continued to strengthen its relationship with its primary banker, National Australia Bank.

During the year, culminating in September 2020, FABAL has moved from a business markets borrower to a commercial markets lender. This has been a major step forward in the development of our business. Besides the considerably lower cost of funds, it has allowed FABAL access to more sophisticated products and better opportunity to run a central banking treasury for the Group. This is a major milestone for the growth in our Group.

### **STRATEGIC DIRECTION**

The Directors and executives continue to refine and develop the FABAL strategic plan for the 5-year period from 2021 to 2026.

Food and beverage businesses remain FABAL's key criteria for operations and we have already made strong inroads into the beverage side with grape product from our vineyards.

FABAL is still pursuing direct food opportunities but is cognisant that stable cash flow and profitability are the key to investment and reinvestment.

For the rest of the Group businesses, we have committed to increasing our agribusiness portfolio further. However, if non-core ideas present themselves for potential investment, the disposal of portfolio assets represent one source of capital for these new potential investments.

### **OUTLOOK**

FABAL continues to strengthen its balance sheet and financial position. The next 12 months will be an exciting period for FABAL as we:

1. further refine Vineyard Road wines;
2. develop our chocolates at BVCC and FCC;
3. further develop Vasse Virgin @Seppeltsfield;
4. operate for our own benefit Vineyard Road Estate in Barossa Valley and McLaren Vale.

While the upward valuation of investments (nearly back to where they were in 2009) in some of our subsidiaries has been positive again in 2020, it does not really assist FABAL to operate our business with cash flow. However, these investments are presently underperforming and do not provide a serious dividend or cash flow return to our Group.

This was debated and reviewed in the recent strategic planning day meeting between Directors and EMC. It will continue to be revisited on a regular basis.

We continue to pursue both income and capital growth. As stated previously, this is both exciting and challenging for our Group.

Whilst the 2020 crops are looking reasonable as we approach Christmas, we understand that we live in a climatically challenging environment and we are faced with the emerging uncertainty of political impacts on our businesses.

COVID-19 has put an enormous strain on our retail businesses in Vineyard Road, BVCC and Vasse Virgin and without the support of the Government incentives and payments, we would not be providing you with as promising a future. We must acknowledge the critical financial support the Group has received from Government incentives and grants.

Lastly, the recession and world economies provide uncertain backdrop for decision making for our Group at this time so we cannot say with certainty that we can develop the programmes as freely as we would have liked. FABAL operates in the agribusiness space and many events can impact the performance of the key financial source, the crops.

We continue to pursue our strategy of risk and reward through diversification in the agribusiness/agritourism industries. This is planned to mitigate some of the agribusiness impacts discussed above.

We look forward to seeing you at the AGM.

### **THANK YOU**

We again wish to thank all our shareholders for their continued support in what remain very challenging but exciting times for FABAL.



**Bruce Spangler**  
**CHAIRMAN**



**Chris Day**  
**CHIEF EXECUTIVE OFFICER**

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The Directors are pleased to present their 31<sup>st</sup> Directors' Report on the state of affairs of the Company and its controlled entities, together with the financial statements for the year ended 30 June 2020.

## DIRECTORS

The following people were Directors of FABAL during the financial year.

Non-Executive	Directorate
Bruce Spangler (Chair)	Christopher Day
Jane Caire	Dimitrios Georgiadis
Amal Wahab	

Based upon the current composition of the Board of FABAL, the members believe that FABAL is governed by an independent board (see governance section below).

## PRINCIPAL ACTIVITIES

The principal activities of the Group companies during the financial year were:

Business Management	Agri-business
Agri-Tourism	Share Investment
Water Transportation	Agricultural Investment
Agribusiness Advice	Share / Option Trading

## REVIEW OF FINANCIAL PERFORMANCE

For the year ended 30 June 2020, the **PAT** was \$764,043 after allowing for tax of \$197,950 for the current year. The **CIT** was \$194,690 after allowing for total tax of \$18,011.

The taxation expense is a combination of deferred tax and income tax (ordinary and capital gains).

Year	Comprehensive Profit Before Tax	Comprehensive Profit After Tax	% Prior Comparative Period
2020	21,271	194,690	-90.64%
2019	2,983,866	2,079,893	-57.0%
2018	6,278,216	4,781,202	448.0%
2017	1,127,610	1,067,210	12.9%
2016	1,316,802	945,212	293.4%
2015	821,355	322,199	-44.8%
2014	979,394	719,390	NA
2013	(129,418)	(4,357)	NA
2012	922,574	712,103	NA
2011	(173,383)	(145,601)	NA

The debt/equity ratio remains conservative at only 17.8% due to the volatile nature of the industry at this time.

## DIVIDENDS

The Company proposes the payment of **ordinary** dividends totalling 16.0 cents per share in respect of the year ended 30 June 2020. The interim dividend will be paid on 3 December 2020 and the final dividend in late April/early May 2021. Each dividend will be fully franked. This will require the distribution of \$160,000 on issued capital of 1,000,000 shares.

The Directors are seeking to maintain or increase these **ordinary** dividends in future financial periods, subject to the performance and cash flow of the FABAL Group.

In addition to the **ordinary** dividends, the directors pay two convertible preference share ("**CPS**") dividends at 16.65 cents per share on 30 September 2020 and 31 March 2021. This will require the distribution of \$16,650 on issued CPS capital of 100,000 shares.

This is the second of five years for the **CPS** dividends at 5.0%/CPS on an issue price of \$3.33. Shareholders will automatically convert the CPS to ordinary shares at the end of year 5 (31 March 2024).

## DIRECTORS & OFFICERS EMOLUMENTS

The Shareholders determine the total limit for remuneration on an annual basis, and then the Board determines how this is distributed under the overall policy and packages applicable to FABAL Board.

At the end of the 2020 financial year, the Chair agreed to consolidate the emolument split so that all fees are charged to FABAL. Based upon the consolidated fee structure from 1 July 2020, the total remuneration for the boards of all FABAL companies (including this board) is required to be approved at \$200,000. NOTE: This is not an increase over the prior two years but a change only in allocation.

Directorate remuneration including fees (as appropriately earned), performance bonuses, other benefits and other payments are found in the SHA. This will be subject to Board review in 2021.

Since 30 June 2020, no Director of the Company has received or become entitled to receive any benefits other than for services shown in the financial accounts.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

### REVIEW OF OPERATIONS

The FABAL Board consider that the review carried out in the Chairman's and Chief Executive Officer's Report is detailed and will not be repeated in the Directors Report.

### BOARD MEETING & FEES

As reported in the notes to the accounts, the directors of FABAL are entitled to receive annual fees as shown in the following table:

<u>Director</u>	<u>No of meetings</u>	<u>No. Attended</u>	<u>Fee Paid</u>
Bruce Spangler	6	6	\$15,000
Jane Caire	6	6	\$10,000
Amal Wahab	6	5	\$10,000
Chris Day	6	6	\$7,500
Dim Georgiadis	6	6	\$7,500

### DIRECTORS & RELEVANT INFORMATION

The following people were Directors of FABAL during the whole of the financial year and up to the date of the report. Their interests are:

<u>Director</u>	<u>Direct Owner</u>	<u>Beneficial Owner</u>	<u>%</u>
Bruce Spangler	-	-	0.0
Amal Wahab	-	-	0.0
Chris Day	-	518,844	47.4
Dim Georgiadis	-	247,000	22.5
Jane Caire	3,000	-	0.3

### COMMITTEE FEES

As reported in the notes to the accounts, the members of the FABAL committees are entitled to further remuneration for their services as shown:

<u>Member</u>	<u>Audit</u>	<u>Governance &amp; Risk</u>
Amal Wahab (Chair)	\$1,500	\$1,200
Jane Caire (Chair)	NA	\$1,500
Bruce Spangler	\$1,200	\$1,200
Chris Day	\$1,200	NA
Ashley Keegan	\$1,200	NA
Chris Dundon	NA	\$1,200
Daniel McLean	\$1,200	NA
Irene Kamm	NA	\$1,200
Chi Zhang	\$1,200	NA

### CORPORATE GOVERNANCE

The corporate governance review follows on page 13.

### LEGAL ACTION

FABAL, through Food And Beverage Australia Pty Ltd, sued Westmores and Philip Nash for outstanding money owed to our Group. Both of these actions were resolved in FABAL's favour for nearly \$1.0 million during 2019 and 2020 but the Nash/Westmores parties are appealing the decision in both cases. FABAL is confident of its position.

FABAL has acted against 15 or more people owing more than \$1.0 million to TBA and Food And Beverage Australia Pty Ltd in relation to the cherry project. This is an ongoing action and may not resolve in this financial year.

FABAL has acted against 6 people in relation to outstanding fees owed to Food And Beverage Australia Pty Ltd in relation to the avocado project. This is also an ongoing action and may not resolve in this financial year.

### EVENTS SUBSEQUENT TO BALANCE DATE

The Directors have not become aware of any other matters or events that have arisen since 30 June 2020 that have affected or may affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent years which have not been disclosed in the annual report.

### ENVIRONMENTAL REGULATION

The Company is taking steps to ensure that it complies with all legal requirements and occupational health, safety and welfare requirements relating to its agricultural investments.

As a matter of good practice, FABAL is further seeking to exceed its minimum legal requirements for the benefit of its staff, contractors and the general community.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

### **BOARD COMMITTEE MEETINGS**

The committees of the Board operating prior to 30 June 2020 were Audit & Risk, Compliance & Governance.

After the end of the financial year, Audit has been separated from Risk and the Board has restructured Risk to be part of Governance under the leadership of Jane Caire.

The meetings of these committees are held on a structured basis.

<b>AUDIT &amp; RISK</b>		
<i>Member</i>	<i>No of meetings</i>	<i>Meetings attended</i>
Amal Wahab	4	3
Bruce Spangler	4	4
Chris Day	4	4
Chris Dundon	4	4
Ashley Keegan	4	4
Daniel McLean	4	3
Chiqi Zhang	4	4

<b>GOVERNANCE &amp; COMPLIANCE</b>		
<i>Member</i>	<i>No of meetings</i>	<i>Meetings attended</i>
Jane Caire	3	3
Bruce Spangler	3	3
Chris Dundon	3	3
Irene Kamm	3	3

### **INDEMNIFICATION OF OFFICERS**

The Company and its subsidiaries indemnify any person who is, or has been, an officer of the Company including the directors, the secretary and other executive officers against any liability incurred by the person which arises out of the discharge of that person's duty unless the liability was incurred because of dishonesty, negligence or lack of good faith.

FABAL has a special insurance policy in place in respect of its position as a Responsible Entity. This is an extended policy beyond what is described above and is a requirement of the Corporations Act.

Signed on behalf of the Board at Adelaide on the 17<sup>th</sup> day of November 2020 in accordance with a resolution of Directors.



**Bruce Spangler**  
**CHAIRMAN**

# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2020

## **PRACTICE**

Corporate governance is the system and processes by which companies are managed and directed. It influences how the business objectives are set and achieved, how risk is monitored and assessed and how performance is optimised.

Good corporate governance structures are encouraged by the Board of FABAL (through entrepreneurship, innovation, development and exploration) and it will seek to provide accountability and control systems commensurate with the risks involved. During the year, FABAL continued to manage and improve its corporate governance systems where possible.

As an unlisted private company, FABAL is not required to implement a corporate governance framework within the ASX guidelines. Nevertheless, the Board of FABAL seeks to adopt best practice in corporate governance and transparency in reporting appropriate to its size and the nature of its business. The Directors confirm that the Company's practices are largely consistent with the ASX guidelines as appropriate to its private status and circumstances.

Initiatives from current reviews and forums form the basis of progressively updated governance standards and incorporate changes required by the Corporations Act (2001) and other applicable legislation.

Since 2015, FABAL has operated with the assistance of a number of Board committees and one management committee.

Since July 2020, FABAL operates committees as follows:

### **Board Appointed**

1. Audit; and
2. Governance & Risk
  - a. (including Compliance);

### **Management Appointed**

3. Business Development.

Charters for each Committee are in force and are reviewed regularly. FABAL and its subsidiaries have strong commitments to integrity in their strategic and financial performance.

Ethical and responsible decision making, considering not only legal obligations, but also the interests of their stakeholders, is of paramount consideration.

## **BOARD COMPOSITION**

At this time, following the retirement of Grahame Tonkin in 2019, there are 5 directors on the Board of FABAL.

FABAL, utilising the guidance of the ASX Listing Rules, believes that Bruce Spangler (independent Chair), Amal Wahab and Jane Caire are independent directors of FABAL. Accordingly, FABAL has three independent directors out of a Board of five members. FABAL is still looking for another independent director to return the Board to six members. However, the Board is looking for a selective skill set required for this person and that person has not yet been found. The other two directors are part of the Directorate of FABAL, only one of whom is a full time executive.

The FABAL Board has established the roles of the Board, its subsidiaries' boards, the Committees and EMC. The CEO has separated responsibilities for the EMC based upon skills, experience and operations within the compositions which are appropriate to each distinct business.

## **REMUNERATION POLICIES**

Due to the present size of FABAL, the full Board fulfils the role of a Remuneration Committee. The remuneration of non-executive directors is determined by the full Board having regard to the level of fees paid to non-executive directors by other companies of similar size and stature. FABAL has also noted the current Governance Institute remuneration review for confirmation of its practices. Equity based remuneration is not applied to FABAL Directors.

## **RISK MANAGEMENT**

FABAL recognises the importance of managing business risks and controlling its business activities in a manner which enables it to maximise opportunities for investors and shareholders. FABAL manages the elements of uncertainty and risk in its business operations through effective monitoring and internal control. FABAL has a Governance & Risk committee to oversee the internal control and assist, where possible, in reducing the potential for losses, ensuring compliance with applicable laws and regulations, and enhancing resilience to external events.

## INFORMATION ON DIRECTORS

*AS AT THE DATE OF THIS REPORT*

	DIRECTOR	QUALIFICATIONS	BACKGROUND	BOARDS
<b>CHAIRMAN</b>				
	<b>Bruce Spangler</b> (Resides Adelaide) (Appointed 26 November 2013)	FAICD FCA	Bruce was a senior partner of Bentleys, an Adelaide based audit/advisory firm. He has been chairing local, national and international groups for more than 35 years and has provided financial and commercial advice to many SMEs in many industries. He has a wealth of experience in the rural sector as well as the sporting areas.	Marandoo Estate Limited National Vineyard Fund of Australia Ltd Nat. Vineyard Fund of Aust (No.3) Ltd Kayinga Vineyard Limited
	<b>Amal Wahab</b> (Resides Sydney) (Appointed 12 April 2017)	MBA (Harvard) BSc (Hons)	Amal Wahab is an experienced investment banker specializing in investing in private and unlisted public companies. He was Deputy Chief Investment Office and Head of Investments at the Oman Investment Fund, the Sovereign Wealth of Fund of the Sultanate of Oman. In that role he served as a director on Australian and international boards.	Marandoo Estate Limited
	<b>Christopher Day</b> (Resides Adelaide) (Appointed 1 January 1990)	MBA (Int. Bus.) LL.B, B.Ec, Grad. Dip. App. Fin Dip. Fin. Services FAICD FFin CPA	Chris has 36 years' experience in finance, tax and equity investment. He is a director of several family owned companies involved with The FABAL Group. Chris also holds directorships in a range of Australian and international companies.	Marandoo Estate Limited National Vineyard Fund of Australia Ltd Nat. Vineyard Fund of Aust (No.3) Ltd Kayinga Vineyard Limited
	<b>Dimitrios Georgiadis</b> (Resides Adelaide) (Appointed 1 July 1995)	LL.B FTIA MAICD TEP	Dim has 38 years' experience as a legal, tax, wine industry, property, securities and business adviser. He is an associate of Georgiadis Lawyers Pty Ltd and has been a member of the Law Society of SA since 1984. He is a director of several private companies.	National Vineyard Fund of Australia Ltd Nat. Vineyard Fund of Aust (No.3) Ltd Kayinga Vineyard Limited
	<b>Jane Caire</b> (Resides Hong Kong) (Appointed 1 January 1990)	LL.B (Hons) G.D.L.P.	Jane has 38 years' experience as a legal, operations, administration and business adviser. Jane is a professional administrator and director and has 25 years' experience in Asian financial services. She is a director of several private companies around the world.	

## INFORMATION ON EXECUTIVE MANAGEMENT COMMITTEE

### *AS AT THE DATE OF THIS REPORT*

MEMBER	QUALIFICATIONS	BACKGROUND
<b>Christopher Day</b> (Resides Adelaide) (Since 1982) <b>Chief Executive Officer</b>		See previous page
<b>Ashley Keegan</b> (Resides Adelaide) (Since 1999) <b>Chief Executive Officer, Operations</b> Governance & Risk Business Development	MBA (Finance), B App Sc. (Vit) B App Sc. (Chiropractic) MAICD	Ashley has overseen viticulture and infrastructure at FABAL Operations since 1999. He is responsible for the management and development of all FABAL Operations and FABAL Vineyards. He has over 20 years of viticultural and agribusiness experience. Ashley also has senior responsibility for the development of the FABAL Wines business.
<b>Chris Dundon</b> (Resides Adelaide) (Since 2002) <b>Chief Governance Officer</b> Audit Governance & Risk Business Development	BSc (Hons), Grad. Dip. Ag. (Vit) Grad. Dip. Bus. Admin. Dip. Ed	Chris has 40 years' experience in the wine industry throughout Australia and New Zealand, joining FABAL in September 2002. He previously worked with Beringer Blass Wine Estates for more than 15 years. Chris was the National Technical Manager of Netafim Australia and has significant water experience that he uses for the Groups.
<b>Daniel McLean</b> (Resides Adelaide) (Since 2020) <b>Chief Financial Officer</b> Audit Business Development	B.Comm, CPA MAICD	Daniel has 16 years in senior financial leadership at a famous South Australia wine company. He also has represented his employee on outside boards and industry groups. He has completed the Future Leaders Programme for the wine industry. Daniel joined FABAL in February 2020
<b>Irene Kamm</b> (Resides Adelaide) (Since 1998) <b>Group Manager – Customer Services</b> Governance & Risk Business Development	B. Bus (Commercial Law)	Irene has been with FABAL for the past 22 years and has held various administrative positions. Her current roles include cellar door management, compliance and customer relations. Irene has company secretarial responsibilities for some of the group companies.
<b>Chiqi Zhang</b> (Resides Adelaide) (Since 2007) <b>Group Manager - Accounting</b> <b>Chief Marketing Officer - China</b> Audit Business Development	B.Banking (Int.Fin) B.Acc, Dip. Bus. Studies CPA	Chi has been with the FABAL Group for 11 years and has over 10 years of experience in the Australian wine industry and 4 years' experience in the Education Import/Export industry. Chi is also the key FABAL person operating in the Chinese market operations as our Chief Marketing Officer, China.
<b>Michelle Horton</b> (Resides Adelaide) (Since 2013) <b>Group Manager - People Resources</b> Business Development		Michelle has been with the FABAL Group for 7 years after spending 12 years in the Agricultural Industry. Michelle has over 25 years' experience in HR/Admin and her responsibilities include managing the People Resources division of the group.
<b>Lachlan Aird</b> (Resides Adelaide) (Since 2020) <b>Group Manager - Marketing</b> Business Development	B. Media Studies B. International Studies Dip. Languages	Lachlan has recently joined FABAL from two other Australian wine groups. Lachlan has 5 years' experience in wine and a further 5 years' experience in other 'fast-moving' consumer goods. His new role include working on the corporate and brand development of FABAL's brands and labels.
<b>Marcia Frost</b> (Resides Barossa) (Since 2020) <b>Group Manager - Tourism &amp; Events</b> Business Development	B. Bus	Marcia joined FABAL/Chocolate Ventures in November 2020. She has over 20 years' experience in tourism and hospitality with small and large enterprises. Marcia is responsible for BVCC and the tourism and events business for FABAL.
<b>Dimitrios Georgiadis</b> (Resides Adelaide) (Since 1982) <b>Director - Business Development</b> Business Development		See previous page

## STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 30 JUNE 2020*

	Notes	Consolidated	
		<u>2020</u>	<u>2019</u>
<b><u>REVENUE</u></b>			
Revenue		\$ 7,683,303	\$ 7,800,227
Investment Revenue		145,205	290,393
Other Revenue		307,864	449,664
<b>Total Revenue</b>		<u>\$ 8,136,372</u>	<u>\$ 8,540,284</u>
Cost of Goods Sold		\$ 603,501	\$ 942,001
<b>Gross Margin</b>		<u>\$ 7,532,871</u>	<u>\$ 7,598,283</u>
<b><u>EXPENSES</u></b>			
Administration Expenses		999,292	1,454,278
Depreciation		117,932	106,777
Selling Expenses		114,675	162,286
Employee Expenses		3,784,862	4,374,649
Vineyard Expenses		1,401,986	1,115,853
<b>Total Expenses</b>		<u>\$ 6,418,747</u>	<u>\$ 7,213,843</u>
Finance Costs		152,131	131,308
<b><u>Profit before Income Tax</u></b>		<u>\$ 961,993</u>	<u>\$ 253,132</u>
Income Tax Expense		197,950	(258,453)
<b><u>PROFIT AFTER TAX</u></b>		<u>\$ 764,043</u>	<u>\$ 511,585</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Increase/(Decrease) in valuation of Investments		\$ (1,049,230)	\$ 2,318,453
Deferred tax effect of change in valuation		288,538	(750,145)
Increase/(Decrease) in valuation of Property, Plant & Equip		263,916	412,289
Deferred tax effect of change in valuation		(72,577)	(176,031)
<b>Other comprehensive income net of tax</b>		<u>\$ (569,353)</u>	<u>\$ 1,568,308</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS</b>		<u>\$ 194,690</u>	<u>\$ 2,079,893</u>

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Consolidated	
		<u>2020</u>	<u>2019</u>
<b><u>CURRENT ASSETS</u></b>			
Cash & Cash Equivalents	4	\$ 455,574	\$ 1,265
Trade & Other Receivables	5	2,446,992	2,009,803
Inventories	6	1,768,835	1,936,345
Other Current Assets	8	57,784	86,293
<b>Total Current Assets</b>		<u>\$ 4,729,185</u>	<u>\$ 4,033,706</u>
<b><u>NON-CURRENT ASSETS</u></b>			
Financial Assets	7	20,903,816	21,860,250
Property, Plant & Equipment	9	2,595,202	1,818,849
Deferred Tax	10	148,175	173,036
Intangible Assets	11	87,036	84,429
<b>Total Non-Current Assets</b>		<u>\$ 23,734,229</u>	<u>\$ 23,936,564</u>
<b>Total Assets</b>		<u>\$ 28,463,414</u>	<u>\$ 27,970,270</u>
Less:-			
<b><u>CURRENT LIABILITIES</u></b>			
Trade & Other Payables	12	\$ 2,898,310	\$ 2,832,206
Short Term Borrowings	13	22,000	66,164
Current Tax Liability	14	73,466	167,589
Short Term Provisions	15	538,348	500,078
<b>Total Current Liabilities</b>		<u>\$ 3,532,124</u>	<u>\$ 3,566,037</u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Long Term Borrowings	13	\$ 3,084,697	\$ 2,447,231
Deferred Tax Liabilities	16	3,420,005	3,551,754
<b>Total Non-Current Liabilities</b>		<u>\$ 6,504,702</u>	<u>\$ 5,998,985</u>
<b>Total Liabilities</b>		<u>\$ 10,036,826</u>	<u>\$ 9,565,022</u>
<b>Net Assets</b>		<u>\$ 18,426,588</u>	<u>\$ 18,405,248</u>
<b><u>SHAREHOLDERS EQUITY</u></b>			
Issued Capital	17	\$ 2,146,632	\$ 2,146,632
Reserves	18	9,485,423	10,054,776
Retained Profits		6,794,533	6,203,840
<b>Total Equity</b>		<u>\$ 18,426,588</u>	<u>\$ 18,405,248</u>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary Shares	Reserves	Consolidated Retained Earnings	Minority Equity Interests	<u>Total</u>
<b><u>CONSOLIDATED</u></b>					
<b>Equity at 02-July-2018</b>	\$ 1,480,591	\$ 8,486,468	\$ 5,809,255	\$ -	\$ 15,776,314
Contributions of Equity	666,041	-	-	-	666,041
Profit attributable to members of the entity	-	-	511,585	-	511,585
Dividends paid or provided for	-	-	(117,000)	-	(117,000)
Transfer to Reserves	-	1,568,308	-	-	1,568,308
<b>Equity at 01-July-2019</b>	\$ 2,146,632	\$ 10,054,776	\$ 6,203,840	\$ -	\$ 18,405,248
<b>Equity at 02-July-2019</b>	\$ 2,146,632	\$ 10,054,776	\$ 6,203,840	\$ -	\$ 18,405,248
Contributions of Equity	-	-	-	-	-
Profit attributable to members of the entity	-	0	764,043	-	764,043
Dividends paid or provided for	-	-	(156,650)	-	(156,650)
Transfer to Reserves	-	(569,353)	(16,700)	-	(586,053)
<b>Equity at 30-June-2020</b>	\$ 2,146,632	\$ 9,485,423	\$ 6,794,533	\$ -	\$ 18,426,588

## NOTES TO THE FINANCIAL ACCOUNTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

##### **General Information**

The financial report covers the economic entity of The FABAL Group Pty Ltd ("FABAL") and controlled entities, and FABAL as an individual entity. FABAL is a proprietary company, incorporated and domiciled in Australia.

The consolidated financial statements are a special purpose financial report, prepared in order to satisfy the financial requirements of the Company. The directors of FABAL have determined that FABAL is not a reporting entity.

The financial report of FABAL and its controlled entities have sought to follow Australian equivalents to International Financial Reporting Standards ("IFRS") to the degree possible in special purpose financial reports.

##### **Basis of Preparation**

###### **(a) Adoption of Australian Equivalents to IFRS**

FABAL and its controlled entities and FABAL as an individual ("the Parent") have prepared financial statements in accordance with the Australian equivalents of IFRS from 1 July 2005 unless otherwise stated.

###### **(b) Reporting Basis and Conventions**

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and liabilities for which fair value basis of accounting has been applied.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report.

###### **(c) Principles of Consolidation**

The consolidated financial statements of the economic entity include financial statements of FABAL being the Parent and its controlled entities ("the consolidated entity"). The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated.

###### **(d) Change in Accounting Policy**

The nature of the investment in other financial assets has been re-classified to comply with IFRS to the extent required by a special purpose company. All assets controlled by FABAL and its controlled entities have been changed to comply with the requirements of IFRS.

###### **(e) Income Tax**

The charge for current income tax expense is based upon the profit for the year adjusted for non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

###### **(f) Non-current Investments**

In the Parent accounts, investments in subsidiaries are shown at the lower of cost or market value and only dividend income and trust distributions are included in the Statement of Income.

Long Term Securities and Investments are also shown at cost and are held for investment purposes. Any profit or loss on their realisation is taken to the Capital Reserve Account. Income derived from these investments is taken to the Statement of Income as and when received.

The carrying amount of investment amounts is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

###### **(g) Loans and Borrowings**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

###### **(h) Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for any goods and services received, whether or not billed to either entity.

###### **(i) Joint venture entities**

The entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements.

## NOTES TO THE FINANCIAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 2: OPERATING PROFIT

#### **Revenue Recognition**

Sales revenue has been determined after deduction of applicable customer discounts and GST, and is recognised when the goods are provided.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Interest revenue is recognised as received.

Dividend revenue is recognised when the dividend is received.

	<b>Consolidated</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Operating Profit before tax is after crediting the following revenues:		
Sales Revenue from Ordinary Activities	\$ 7,683,303	\$ 7,800,227
Reversal of Investment Impairments	-	(6,561)
Operating Profit before tax is arrived at after crediting the following expenses:		
Accounting & Audit Fees	\$ 53,250	\$ 59,989
Debtor Impairment	(40,397)	(47,658)
Depreciation	117,932	106,777
Interest & Finance Charges	152,131	131,308

### NOTE 3: INCOME TAX EXPENSES

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### **(a) The components of tax expense comprise:**

Current	\$ 88,405	\$ 2,612
Deferred	109,545	(437,096)
Current - Capital Gains	-	176,031
	<u>\$ 197,950</u>	<u>\$ (258,453)</u>

#### **(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as**

<b>Operating Profit before Taxes</b>	<u>\$ 961,993</u>	<u>\$ 253,132</u>
Prima facie tax payable at 27.50% (previous 27.50%)	\$ 264,548	\$ 69,611
Tax effect of:		
Franking Credits	(47,062)	(86,437)
Non deductible entertainment	274	962
Non-allowable items	10,439	20,553
Non assessable ATO Cash Flow Boost	(30,250)	-
Prior period adjustments	-	(263,143)
Income Taxation Expense	<u>\$ 197,950</u>	<u>\$ (258,453)</u>

## NOTES TO THE FINANCIAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

### NOTE 4: CASH & CASH EQUIVALENTS

#### **Cash & Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

	<b>Consolidated</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash on Hand	\$ 1,265	\$ 1,265
Cash at Bank	454,309	-
	<u>\$ 455,574</u>	<u>\$ 1,265</u>

### NOTE 5: TRADE & OTHER RECEIVABLES

Trade Debtors	\$ 1,968,433	\$ 1,265,737
Related Party Debtors	491,500	309,164
Others	(12,941)	434,902
	<u>\$ 2,446,992</u>	<u>\$ 2,009,803</u>

### NOTE 6: INVENTORIES

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

Wine Stocks	\$ 1,768,835	\$ 1,936,345
	<u>\$ 1,768,835</u>	<u>\$ 1,936,345</u>

### NOTE 7: FINANCIAL ASSETS (Current)

#### **Recognition**

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### **Financial Assets at Fair Value**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Fair Value is determined for all unlisted securities, including recent arm's length transactions and reference to similar instruments determined based on current bid prices for all quoted investments. Valuation techniques are applied using option pricing models. Currently, listed investments in FABAL Investments are carried at 2014 market value.

#### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets and are carried at amounts due. The collectability of debts is assessed at balance date and provision is made for any doubtful debts.

#### **Held-to-maturity Assets**

These investments have fixed maturities, and it is the economic entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the economic entity are stated at amortised cost using the effective interest rate method.

#### **Available for sale financial assets**

Available for sale financial assets include any financial assets not included in the above categories and are reflected at fair value. Unrealised gains and losses from changes in fair value are taken directly to equity.

#### **Impairment**

At each reporting date, FABAL reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in the Statement of Income. Where it is not possible to estimate the recoverable amount of the individual asset, the economic entity estimates the recoverable

## NOTES TO THE FINANCIAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated  
2020                      2019

**NOTE 7: FINANCIAL ASSETS (Non-Current)**

Investments				
Quoted on Australian Stock Exchange	\$	44,510	\$	28,236
	\$	44,510	\$	28,236
Companies - Managed Entities				
Barossa Infrastructure Limited		1,360,000		717,501
Chocolate Ventures Australia Pty Ltd		1,400,000		1,400,000
Kayinga Vineyard Limited		143,500		137,900
Marandoo Estate Limited		3,070,320		3,885,896
Marathon Water Pty Ltd		600,000		267,734
National Vineyard Fund of Australia Ltd		13,137,862		14,307,003
National Vineyard Fund of Australia (No.3) Ltd		439,920		440,480
Natural Olive Oil Skincare Australia Pty Ltd		200,000		150,000
Project Wines Pty Ltd		175,000		175,000
VRE McLaren Vale Pty Ltd		332,704		350,000
	\$	20,859,306	\$	21,831,514
Trusts - Subsidiary & Related				
Peradel Properties Unit Trust		0		500
	\$	0	\$	500
	\$	<u>20,903,816</u>	\$	<u>21,860,250</u>

**NOTE 8: OTHER CURRENT ASSETS**

Prepayments				
		57,784		86,293
	\$	<u>57,784</u>	\$	<u>86,293</u>

**NOTE 9: PROPERTY, PLANT & EQUIPMENT**

Each class of Property, Plant and Equipment are initially shown at cost or fair value, less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are shown at their fair value based upon periodic, but at least triennial, valuations by external valuers, less subsequent depreciation for buildings.

**Plant & Equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

**Depreciation**

Depreciation is provided for on fixed assets, excluding freehold land using the straight line method over the estimated useful life. The following table indicates the average useful lives of property, plant & equipment on which depreciation charges are based:

Land & Water	Indefinite	
Buildings	Up to	40 years
Plant & Equipment	5 to	7 years
Vehicles & Tractors	5 to	7 years
Leased Plant & Equipment	5 to	7 years
Vineyard Costs	25 to	50 years

## NOTES TO THE FINANCIAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated  
2020                      2019

**NOTE 9: PROPERTY, PLANT & EQUIPMENT**

Land & Improvements	\$ 1,461,914	\$ 409,061
Buildings	2,500	2,500
Less: Accumulated Depreciation	-	(125)
	<u>1,464,414</u>	<u>411,436</u>
Vines	85,976	929,143
Less: Accumulated Depreciation	-	(60,745)
	<u>85,976</u>	<u>868,398</u>
Trellis, Irrigation & Water	295,110	367,449
Less: Accumulated Depreciation	-	(57,280)
	<u>295,110</u>	<u>310,169</u>
Plant & Equipment	1,095,690	592,085
Less: Accumulated Depreciation	(345,988)	(363,239)
	<u>749,702</u>	<u>228,846</u>
	<u>\$ 2,595,202</u>	<u>\$ 1,818,849</u>

**NOTE 10: DEFERRED TAX ASSETS**

Timing Differences	\$ 148,175	\$ 173,036
	<u>\$ 148,175</u>	<u>\$ 173,036</u>

**NOTE 11: INTANGIBLE ASSETS (Non-Current)**

Formation Expenses	\$ 5,755	\$ 5,755
Trade Marks	22,135	19,528
Goodwill on Consolidation	59,146	59,146
	<u>\$ 87,036</u>	<u>\$ 84,429</u>

Formation expenses are not amortised.

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

**NOTE 12: TRADE & OTHER PAYABLES**

Trade Creditors	\$ 1,575,732	\$ 667,235
Sundry Creditors	1,323,419	2,137,891
Accrued Expenses	-	-
GST Liabilities	3,814	1,554
WET	(4,655)	25,526
	<u>\$ 2,898,310</u>	<u>\$ 2,832,206</u>

## NOTES TO THE FINANCIAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated  
**2020**                      **2019**

### NOTE 13: BORROWINGS

#### Current

Bank Overdrafts  
Loan - National Margin Lending

\$ -	\$ 54,127
22,000	12,037
\$ 22,000	\$ 66,164

#### Non-current

Loans - Non Bank  
Loans - National Australia Bank  
Loans - Related Parties  
Lease Liabilities

\$ 216,811	\$ 216,811
2,150,000	2,200,000
130,904	20,860
586,982	9,560
\$ 3,084,697	\$ 2,447,231

Leases are classified as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits to ownership.

**Finance leases** effectively transfer from the lessor to the lessee all risks and benefits incidental to ownership of the leased property. Lease assets are amortised over the useful life of the asset. Lease liabilities are charged to reduce over the life of the lease. Interest is charged to expenditure.

**Operating leases** are those where the lessor retains all the risks and benefits of ownership. Lease payments where substantially all of the risks and benefits remain with the lessor are recognised as an expense in the period in which they occur.

### NOTE 14: CURRENT TAX LIABILITY

Provision for Taxation

73,466	167,589
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### NOTE 15: PROVISIONS

Provision for Employee Entitlements

538,348	500,078
\$ 538,348	\$ 500,078

Provision has been made for benefits accruing to employees in relation to annual leave and long service leave together with associated employment on-costs in respect of services provided by employees up to the reporting date. Employee entitlements expected to be settled within one year have been measured at their nominal amounts. Other entitlements payable later than one year have been measured at the present value of the estimated future cash flows to be made for these entitlements.

### NOTE 16: DEFERRED TAX LIABILITIES

Deferred Tax Liabilities

\$ 3,420,005	\$ 3,551,754
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### NOTE 17: SHARE CAPITAL

The Capital of the Company is as follows:

Balance of beginning of prior year	2/07/2018	\$ 2,146,632	\$ 1,480,591
Issued during the year			666,041
Balance of end of prior year	1/07/2019	\$ 2,146,632	\$ 2,146,632
Balance of beginning of current year	2/07/2019	\$ 2,146,632	\$ 2,146,632
Issued during the year		0	-
Balance of end of current year	30/06/2020	\$ 2,146,632	\$ 2,146,632

The issued shares in the Company is as follows:

Balance of beginning of prior year	2/07/2018	1,100,000	900,000
Issued during the year		-	200,000
Balance of end of prior year	1/07/2019	1,100,000	1,100,000
Balance of beginning of current year	2/07/2019	1,100,000	900,000
Issued during the year		0	0
	Ordinary	0	0
	Preference	0	0
Balance of end of current year	30/06/2020	1,100,000	900,000

## NOTES TO THE FINANCIAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated  
**2020**                      **2019**

### NOTE 18: RESERVES

Asset Revaluation Reserve	\$ 781,589	\$ 590,250
Capital Profits Reserve	621,334	621,334
Investment Revaluation Reserve	8,082,500	8,843,192
	<u>\$ 9,485,423</u>	<u>\$ 10,054,776</u>

### NOTE 19: BANK OVERDRAFT

FABAL has overdraft facilities for \$100,000 with NAB. Several other companies within the Group previously had overdraft facilities with NAB. When FABAL entered into its new Commercial Markets Facilities (CML) on 24th September 2020, all other overdraft

### NOTE 20: DIRECTORS' & EXECUTIVES REMUNERATION

The remuneration of Directors was as follows:

\$ <u>497,616</u>	\$ <u>479,129</u>
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The directors of the entity during the period were

<b>Bruce Spangler</b>	<b>Christopher Day</b>
<b>Grahame Tonkin (retired 30 June)</b>	<b>Dimitrios Georgiadis</b>
<b>Amal Wahab</b>	<b>Jane Caire</b>

D Georgiadis is an associate of Georgiadis Lawyers Pty Ltd  
Provision of legal services

\$ 124,979	\$ 247,192
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Associates of Bruce Spangler	38,400	34,200
Associates of Amal Wahab	22,000	11,500
Associates of Christopher Day	369,716	369,129
Associates of Dimitrios Georgiadis	45,500	44,300
Associates of Jane Caire	22,000	20,000

### NOTE 21: SUBSIDIARY COMPANIES

<u>Entity</u>	<u>Class of Investment</u>	<u>Place of Incorp</u>	<u>% Held</u>
The FABAL Group Pty Ltd	Holding	S.A.	
FABAL Investments Pty Ltd	Subsidiary	S.A.	100%
aff Peradel Properties Unit Trust	Trust	S.A.	100%
- Vineyard Road Estate Pty Ltd	Subsidiary	S.A.	100%
FABAL Operations Pty Ltd	Subsidiary	S.A.	100%
Food And Beverage Australia Pty Ltd	Subsidiary	S.A.	100%
- FABAL Agribusiness Management Pty Ltd	Subsidiary	S.A.	100%
- Marathon Water Pty Ltd	Subsidiary	S.A.	50%
FABAL Wines Pty Ltd	Subsidiary	S.A.	100%
FABAL Vineyards Pty Ltd	Subsidiary	S.A.	100%
- FABAL Equipment Pty Ltd	Subsidiary	S.A.	100%
Food And Beverage International Pty Ltd	Subsidiary	S.A.	100%
Total Beverage Australia Pty Ltd	Subsidiary	Vic	100%
FABAL Advisory Pty Ltd	Subsidiary	Vic	100%

## DIRECTOR'S DECLARATION

AS AT 30 JUNE 2020

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 14 to 26, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards, the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Company's financial position as at 30 June 2020 and of the performance for the financial year ended on that date of FABAL and the consolidated group.
  
- 2 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.

This declaration is made in accordance with a resolution of the Board of Directors



**BRUCE SPANGLER**

Chairman

Adelaide, South Australia

Dated the 17th day of November 2020

# CORPORATE DIRECTORY

## THE FABAL GROUP PTY LTD

ABN 56-008-197-206



F · A · B · A · L

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<b>OPERATING COMPANY</b>	
<b>FABAL Operations Pty Ltd</b>	
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<b>INVESTMENT COMPANY</b>	
<b>FABAL Investments Pty Ltd</b>	
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<b>OPERATING COMPANY</b>	
<b>FABAL Advisory Pty Ltd</b>	
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<b>BANKERS</b>	
National Australia Bank 22 King William Street Adelaide SA 5000	
<b>AUDITORS OF FABAL ADVISORY &amp; MANAGED ENTITIES</b>	
Ernst & Young 121 King William Street Adelaide SA 5000	

<b>DIRECTORS &amp; OFFICERS</b>	
Bruce Spangler Jane Caire Christopher Day Dimitrios Georgiadis Amal Wahab	Chairman  Group Chief Executive
Christopher Dundon	Company Secretary
<b>DIRECTORS / OFFICERS OF FABAL OPERATIONS</b>	
Bruce Spangler Jane Caire Christopher Day Dimitrios Georgiadis Ashley Keegan Amal Wahab	Chairman  Chief Executive Officer
Christopher Dundon	Company Secretary
<b>DIRECTORS / OFFICERS OF FABAL INVESTMENTS</b>	
Bruce Spangler Jane Caire Christopher Day Dimitrios Georgiadis Amal Wahab	Chairman
Christopher Dundon	Company Secretary
<b>DIRECTORS/ OFFICERS OF FABAL ADVISORY</b>	
Bruce Spangler Christopher Day Dimitrios Georgiadis	Chairman
Christopher Dundon	Company Secretary
<b>DIRECTORS/ OFFICERS OF FABAL WINES</b>	
Bruce Spangler Christopher Day Chris Flaherty Dimitrios Georgiadis Ashley Keegan	Chairman Chief Executive Officer
Christopher Dundon	Company Secretary
<b>ACCOUNTANTS &amp; TAXATION ADVISERS</b>	
Perks Chartered Accountants 180 Greenhill Road Parkside SA 5063	