Forbidden Foods Limited
and its controlled entities

ABN 82 616 507 334

Annual Report - 30 June 2019

Forbidden Foods Limited
Contents
For the year ended 30 June 2019

Forbidden Foods Limited
Directors' Report
For the year ended 30 June 2019

The directors present their report, together with the financial statements, for the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Forbidden Foods Limited (previously Forbidden Foods Pty Ltd) (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors
The following persons were directors of Forbidden Foods Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Colleen Lockwood (appointed on 23 January 2020)
Jarrod Milani
Marcus Brown
Mark Hardgrave (appointed on 23 January 2020)

Principal activities
The principal activities of the consolidated entity during the financial year were supplying organic rice, conventional rice, rice flour and rice food solutions.

No significant changes in the nature of the consolidated entity's activities occurred during the financial year.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity amounted to $192,497 (30 June 2018 loss: $263,098).

The highlights for the consolidated entity for the financial year include:
- total revenue and cash receipts from customers for the financial year were $3.43m and $3.38m respectively, representing a 1.6% and 3.9% respective increase from the previous financial year.
- AASB 15 *Revenue from Contracts with Customers* had a significant impact on revenue for the financial year requiring revenue to be recorded net of certain trade and promotion spend.
- the marketing and promotion costs decreased by approximately $0.36m, which is directly attributable to the impact of accounting for revenue under AASB 15.
- the level of inventory was reduced by $0.28m in order to free up working capital.
- the consolidated entity introduced a new inventory management system for the Australian operations.
- the consolidated entity introduced a new accounting system for the Australian operations.
- acquired the brand 'FUNCH' to pursue a multi-brand strategy.

The priority for the financial year was to establish systems and processes which will be suitable as the scale of the consolidated entity increases. At the beginning of the financial year the consolidated entity changed the accounting system for the Australian operations. The change moved the consolidated entity's operations in Australia onto a more robust reporting system with efficiencies in the ease of use. The consolidated entity in November 2019 introduced a new inventory management system for the Australia operations which provides increased accuracy, more timely and reliable information and increased controls over inventories.

The consolidated entity made a strategic decision to diversify its portfolio of brands and acquired the brand of Funch. Funch has been a leading brand in the do-it-yourself protein ball mixes since 2013 and has established a loyal customer base. Funch is a strategic addition to Forbidden Foods which will allow the consolidated entity to expand on the existing customer base and strengthen connections in the health food industry. The focus of the consolidated entity in next financial year in relation to Funch, is to integrate the Funch brand into the consolidated entity's operations and renew the Funch brand and product ranges.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
Since 30 June 2019, the following events have occurred:

Convertible notes
The consolidated entity raised $2,000,000 via the issue of convertible notes in two tranches:
- Tranche 1: $1,539,000 on 13 December 2019; and
- Tranche 2: $461,000 on 29 January 2020.

The convertible notes were issued to enable the company to pursue an Initial Public Offering.

Initial Public Offering
As at the date of signing the financial report, the company is in the process of completing an Initial Public Offering to raise approximately $6,000,000 to $7,000,000. Should the company be successful in completing the Initial Public Offering, it is anticipated the Initial Public Offering will be completed in June 2020.

Share split
The directors resolved on 23 January 2020 to split the total number of ordinary shares on issue from 170 ordinary shares to 40,000,000 ordinary shares. The total amount paid on these shares remained unchanged.

Conversion to a public company
Forbidden Foods Pty Ltd converted to a public company on 11 March 2020. The name of the company is now Forbidden Foods Limited.

Non-Executive Director agreements
The company entered into agreements with each of Mark Hardgrave and Colleen Lockwood, in respect of their services to the Company as Non-Executive Directors. Both Mark Hardgrave and Colleen Lockwood were formally appointed as directors of the company with the Australian Securities and Investments Commission on 23 January 2020.

Coronavirus (COVID-19)
Management have assessed the financial impacts of COVID-19 on the fair value of assets, net realisable value of inventory and the recoverability of amounts owing to the consolidated entity. As at the date of signing this report, the accounting estimates and judgements made by management are not known to be materially impacted by COVID-19. Management have also assessed the potential impact on the groups supply chain for raw materials and the cost of acquiring raw materials due to fluctuations in foreign exchange rates. The groups supply chain has not been impacted to date however the Australian Dollar has depreciated against the United States Dollar which has increased the cost of raw material orders.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mark Hardgrave
Title:	Non-Executive Chairman
Qualifications:	B.Com, CA, GIACD
Experience and expertise:	Mark has over 35 years' experience in the finance industry. He is co-founder and former joint managing director of M&A Partners, a Melbourne-based boutique corporate advisory group. Prior to that, Mark held senior roles at Taverners Group, Merrill Lynch, Thorney Investment Group and Bennelong Group, specialising in funds management, equity capital markets and mergers and acquisitions. He currently serves on the board of the following ASX-listed companies: as chairman of Pental Limited, non-executive director of Traffic Technologies Ltd and non-executive director of Wingara AG Ltd, a company which aims to be a leading, integrated provider of diversified Australian agricultural products. Mark is also non-executive director of Nimble Finance Limited.
Special responsibilities:	Chair of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee.
Name:	Marcus Brown
Title:	Chief Executive Officer / Managing Director
Qualifications:	B.Bus (International Trade)
Experience and expertise:	Marcus co-founded Forbidden Foods in 2010, when he and co-founder Jarrod Milani recognised an opportunity to build a strong brand-led food business by introducing unique rice varieties into Australia and New Zealand. Since that time, the Company has become a diverse multi-brand food and beverage company focusing on the wellness and organic markets, with various national and international sales channels. Marcus previously worked at AON in the corporate risk management and international captive insurance teams at AON, where he assisted multi-national companies manage risk and insurance. Marcus's experience has given him a deep understanding of the critical areas required to manage a growing business and mitigate risk, which has been instrumental in the establishment and growth of Forbidden Foods. During his time as CEO, Marcus has developed a broad network of reliable supply chain partners and is responsible for ensuring that the Company continues to meet its strategic objectives.
Special responsibilities:	Member of the Remuneration and Nomination Committee.
Name:	Jarrod Milani
Title:	Chief Operating Officer / Executive Director
Qualifications:	B.Bus (Marketing), GAICD
Experience and expertise:	Jarrod co-founded the company with Marcus Brown in 2010. Prior to co-founding Forbidden Foods with Marcus Brown in 2010, Jarrod worked at Coles in various marketing-related roles including trade planning, growth projects and supplier engagement. Jarrod's experience has given him the ability to manage ongoing relationships with suppliers, customers and manufacturers in order to help the Company meet its strategic objectives. He has played a vital role in the development of the Forbidden Foods brand proposition, strategy and product range.
Special responsibilities:	Member of the Audit and Risk Committee.

Information on directors (continued)

Name:	Colleen Lockwood
Title:	Non-Executive Director
Qualifications:	n/a
Experience and expertise:	Colleen is a Non-Executive Director of Forbidden Foods (appointed 2020). Colleen has extensive experience in the Food and Beverage Industry. She has previously worked as a Business Development Director for Golden State Foods, where she co ordinated business units in the retail and foodservice sectors across Asia-Pacific, the Middle East and Africa. Colleen has also held senior positions at Kraft Heinz, where she was a member of the Australian leadership team. During her time at Kraft Heinz, Colleen has been responsible for market strategies, international tenders, customer relationship management, sales teams and the commercial performance of the Australian foodservice business unit. Colleen is currently the business relationship manager at Turosi, a leading, privately owned Australian food manufacturer and supplier. With over 20 years' relevant experience and a deep understanding of the Food and Beverage Industry, Colleen is well equipped to be a Director of Forbidden Foods and help guide the Company's development and growth.
Special responsibilities:	Chair of the Remuneration and Nomination Committee and a member of the Audit, Risk and Compliance Committee.

Company secretary

Adam Soffer appointed Company Secretary on 7 April 2020. He has an extensive experience in senior corporate management roles at ASX listed and unlisted groups across a range of sectors including commercial property, funds management, telecommunications and eCommerce. Adam was company secretary and head of investors relations for Luxury Escapes, an unlisted public company for over four years and in 2020 will complete a Graduate Diploma of Applied Corporate Governance.

Adam has a Bachelor of Commerce (University of Melbourne), Graduate Diploma of Arts (Commercial Radio) (Swinburne University) and a Diploma of Investor Relations (Australasian Investor Relations Association).

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Mark Hardgrave	-	-
Marcus Brown	1	1
Jarrod Milani	1	1
Colleen Lockwood	-	-

Held: represents the number of meeting held during the time the director held office or was a member of the relevant committee.

The Board committees were not established until after the end of the financial year.

Shares under option
At the date of this report, the unissued ordinary shares of Forbidden Foods Limited under option are as follows:

Grant date	Expiry date	Exercise price		Number under option
5 Aug 2019	36 months from Initial Public Offering date	$	0.30	5,000,000
23 Jan 2020	36 months from Initial Public Offering date	$	0.30	1,500,000
				6,500,000

The options granted are all contingent on the company successfully completing an Initial Public Offering. At the date of signing the financial report, the Initial Public Offering had not been completed.

Shares issued on the exercise of options
There were no ordinary shares of Forbidden Foods Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers
No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related party.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of amounts
Amounts in this report have been rounded off to the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
PKF Melbourne continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

M. Brown

Marcus Brown
Director

Auditor's Independence Declaration to the Directors of Forbidden Foods Limited

In relation to our audit of the financial report of Forbidden Foods Limited for the financial year ended 30 June 2019 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

PKF
Melbourne, 13 May 2020

Kenneth Weldin
Partner

Forbidden Foods Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	4	3,429,344	3,374,522
Other income	5	6,690	3,500
Expenses			
Changes in inventories		279,618	(397,152)
Raw materials and consumables used		1,926,490	2,446,907
Employee benefits expense		409,664	277,050
Freight out and distribution expense		434,686	357,346
Depreciation and amortisation expense	6	10,931	4,350
Marketing and promotion costs		71,423	433,024
Occupancy costs		56,387	50,799
Other expenses	6	318,233	360,931
Finance costs	6	121,099	107,865
Loss before income tax expense		(192,497)	(263,098)
Income tax expense	7	-	-
Loss after income tax expense for the year		(192,497)	(263,098)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(940)	(358)
Total comprehensive loss for the year		(193,437)	(263,456)
Loss for the year is attributable to:			
Forbidden Foods Limited shareholders		(192,497)	(263,098)
		(192,497)	(263,098)
Total comprehensive loss for the year is attributable to:			
Forbidden Foods Limited shareholders		(193,437)	(263,456)
		(193,437)	(263,456)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Forbidden Foods Limited
Consolidated statement of financial position
For the year ended 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	8	14,671	124,210
Trade and other receivables	9	502,000	504,386
Inventories	10	549,491	829,109
Income tax refundable	11	4,434	8,700
Other	12	17,414	8,485
Total current assets		1,088,010	1,474,890
Non-current assets			
Property, plant and equipment	13	10,423	31,119
Intangibles	14	46,397	5,903
Total non-current assets		56,820	37,022
Total assets		1,144,830	1,511,912
Liabilities			
Current liabilities			
Trade and other payables	15	798,752	996,698
Borrowings	16	152,352	-
Employee benefits	17	40,159	18,896
Other current liabilities	18	-	7,375
Total current liabilities		991,263	1,022,969
Non-current liabilities			
Borrowings	19	-	152,352
Employee benefits	20	15,956	5,543
Total non-current liabilities		15,956	157,895
Total liabilities		1,007,219	1,180,864
Net assets		137,611	331,048
Equity			
Issued capital	21	586,451	586,451
Reserves	22	(742)	198
Retained losses	23	(448,098)	(255,601)
Total equity		137,611	331,048

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Forbidden Foods Limited
Consolidated statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital $	Reserves $	Retained profits/(losses) $	Total equity $
Balance at 1 July 2017	409,980	556	7,497	418,033
Profit after income tax expense for the year	-	-	(263,098)	(263,098)
Other comprehensive income for the year	-	(358)	-	(358)
Total comprehensive income/(loss) for the year	409,980	198	(255,601)	154,577
Contributions of equity, net of transaction costs	176,471	-	-	176,471
Balance at 30 June 2018	586,451	198	(255,601)	331,048

Consolidated	Issued capital $	Reserves $	Retained profits/(losses) $	Total equity $
Balance at 1 July 2018	586,451	198	(255,601)	331,048
Loss after income tax expense for the year	-	-	(192,497)	(192,497)
Other comprehensive loss for the year	-	(940)	-	(940)
Total comprehensive income/(loss) for the year	586,451	(742)	(448,098)	137,611
Contributions of equity, net of transaction costs	-	-	-	-
Balance at 30 June 2019	586,451	(742)	(448,098)	137,611

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Forbidden Foods Limited
Consolidated statement of cash flows
For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		3,383,668	3,255,469
Payments to suppliers and employees		(3,353,025)	(3,247,068)
Income taxes paid		4,266	(15,147)
Net cash from/(used in) operating activities	32	34,909	(6,746)
Cash flows from investing activities			
Payments for intangibles		(42,924)	(3,115)
Payments for property, plant and equipment		(7,376)	(34,262)
Proceeds from sale of property, plant and equipment		26,261	-
Net cash used in investing activities		(24,039)	(37,377)
Cash flows from financing activities			
Proceeds from issue of shares		-	176,471
Finance costs		(121,099)	(107,865)
Repayment of borrowings		-	(25,928)
Net cash (used in)/from financing activities		(121,099)	42,677
Net decrease in cash and cash equivalents		(110,229)	(1,445)
Cash and cash equivalents at the beginning of the financial year		124,210	126,112
Effects of exchange rate changes on cash and cash equivalents		690	(457)
Cash and cash equivalents at the end of the financial year	8	14,671	124,210

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General Information

These are the consolidated financial statements of Forbidden Foods Limited (the 'company'), comprising the company and its controlled entities (the 'consolidated entity').

Forbidden Foods Limited is a public company limited by shares, incorporated and domiciled in Australia.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018 with no change to comparatives, replacing *AASB 139 Financial Instruments: Recognition and Measurement* . AASB 9 introduces new requirements for:

(a) classification and measurement of financial assets and liabilities; and
(b) impairment of financial assets.

(a) Classification and measurement
Under AASB 9, the consolidated entity has determined there is no change to classification and measurement to financial assets and financial liabilities.

The table below outlines the accounting treatment for financial assets and liabilities under AASB 139 compared to AASB 9:

Asset/Liability	Previous Accounting Treatment (AASB 139)	New Accounting Treatment (AASB 9)
Cash and cash equivalents	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Borrowings and loans	Amortised cost	Amortised cost

(b) Impairment of financial assets
The adoption of AASB 9 has changed the consolidated entity's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The consolidated entity has applied the simplified approach in AASB 9 and has calculated ECLs based on lifetime expected credit losses. A provision for ECLs is determined based on historical credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment.

Based on the assessment undertaken by the company, there has been no impact to the statement of financial position and statement of profit or loss and other comprehensive income for the year ended 30 June 2019, and the comparative period.

Note 2. Significant accounting policies (continued)
New or amended Accounting Standards and Interpretations adopted (continued)

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

The consolidated entity elected to apply the modified retrospective method of adoption for *AASB 15 Revenue from Contracts with Customers* . The adoption of AASB 15 did not impact opening retained profits as at 1 July 2018.

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

	New $	Previous $	Difference $
Revenue	3,429,344	3,763,136	(333,792)
Other income	6,690	6,690	-
Changes in inventories	(279,618)	(279,618)	-
Raw materials and consumables used	(1,926,490)	(1,926,490)	-
Employee benefits expense	(409,664)	(409,664)	-
Freight out and distribution expense	(434,686)	(434,686)	-
Depreciation and amortisation expense	(10,931)	(10,931)	-
Marketing and promotion costs	(71,423)	(405,215)	333,792
Occupancy costs	(56,387)	(56,387)	-
Other expenses	(318,233)	(318,233)	-
Finance costs	(121,099)	(121,099)	-
Loss before income tax expense	(192,497)	(192,497)	-
Income tax expense	-	-	-
Loss after income tax expense for the year	(192,497)	(192,497)	-

The adoption of the Accounting Standards did not impact the consolidated statement of financial position.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Going concern
The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity generated operating cash flows for the year ended 30 June 2019 of $34,909 (30 June 2018 cash outflows: $6,746) and as at 30 June 2019 the consolidated entity had a net asset position of $137,611 (30 June 2018: $331,048).

The consolidated entity raised $2,000,000 via the issue of convertible notes in two tranches:
- Tranche 1: $1,539,000 on 13 December 2019; and
- Tranche 2: $461,000 on 29 January 2020.

Note 2. Significant accounting policies (continued)
Basis of preparation (continued)

As at the date of signing the financial report, the company is undergoing an Initial Public Offering to raise an amount in the range of $6,000,000 to $7,000,000 in addition to the amounts already raised via the issue of convertible notes discussed above. Based on the consolidated entity's cash flow forecasts and the company achieving a successful Initial Public Offering referred to above, the directors are confident the company will be able to continue as a going concern.

The Directors have also prepared a cash flow forecast for the consolidated entity on the assumption the company is unsuccessful in completing the Initial Public Offering. Should the Initial Public Offering be unsuccessful, the Directors believe the consolidated entity will continue to meet all of its financial obligations for at least 12 months from the date of issuing these financial statements, however the Directors have assessed this would likely result in a material change to the current operations of the business.

The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the group not be able to continue as a going concern.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Forbidden Foods Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended. Forbidden Foods Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Common control transactions
Where the combining entities are ultimately controlled by the same parties both before and after the combination, the transaction is a "common-control" transaction, outside the scope of AASB 3 Business Combinations. Such a transaction is accounted for using the "pooling of interests" method resulting in the continuation of existing accounting values that would have occurred if the assets and liabilities of the group already been in a structure suitable.

It has been determined that the group reorganisation which occurred on 31 December 2016 was a common-control transaction. As a result, the accounting treatment under the "pooling of interests" method has historically been applied as follows:

- the assets and liabilities of the combining entities are reflected at their carrying values; and
- no goodwill or other intangible assets are recognised as a result of the combination.

Note 2. Significant accounting policies (continued)

Foreign currency translation
The financial statements are presented in Australian dollars, which is Forbidden Foods Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with the customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, which is generally at the time of delivery.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Significant accounting policies (continued)
Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Forbidden Foods Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any provision for expected credit losses.

Inventories
Raw materials and finished goods are stated at the lower of cost and net realisable value on an average cost basis. Cost comprises of direct materials and delivery costs, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Note 2. Significant accounting policies (continued)
Inventories (continued)

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing-value basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	5-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Intangible assets
Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Trademarks
Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Websites
Significant costs associated with websites are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision 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. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Financial instruments

Financial instruments are recognise initially on the date that the consolidated entity becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Note 2. Significant accounting policies (continued)

Financial assets
All recognise financial assets are subsequently measured in their entirety at amortised costs.

Amortised cost
Assets measured at amortised cost are financial assets where:
- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The consolidated entity's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognise in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets
AASB 9 replaces the 'incurred' loss model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due and the cash flows the consolidated entity expects to receive. Any shortfall is discounted at an approximation to the asset's original effective interest rate. The consolidated entity applies AASB 9's simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables.

Financial liabilities
The consolidated entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the consolidated entity comprise trade payables, factoring arrangements and loans.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)
New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and its impact on adoption is expected to result in total assets and total liabilities by $172,766.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Revenue

	2019 $	**2018 $**
Sales revenue		
Sale of goods	3,429,344	3,374,522
Revenue	3,429,344	3,374,522

Disaggregation of revenue
Disaggregation of revenue from contracts with customers is as follows:

	2019 $	**2018 $**
Geographical regions		
Australia	3,294,887	-
New Zealand	134,457	-
	3,429,344	-

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue.

Note 5. Other income

	2019 $	2018 $
Gain on disposal of property, plant and equipment	6,690	-
Other revenue	-	3,500
Other income	6,690	3,500

Note 6. Expenses

	2019 $	2018 $
Loss before income tax includes the following specific items:		
Depreciation		
Plant and equipment	8,502	3,143
Amortisation		
Trademarks	2,429	1,207
Finance costs		
Interest and finance charges paid/payable	121,099	107,865
Superannuation expense		
Defined contribution superannuation expense	32,726	22,720

Note 7. Income tax expense

	2019 $	2018 $
Income tax expense		
Current tax	-	-
Aggregate income tax expense	-	-
Reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(192,497)	(263,098)
Tax at the statutory rate of 27.5%	(52,937)	(72,352)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Accrued expenses	6,875	6,875
Employee provisions	8,711	4,449
Depreciation	310	(8,558)
Income tax losses carried forward	37,041	69,586
Income tax expense	-	-

Note 8. Current assets - cash and cash equivalents

	2019 $	2018 $
Cash on hand	372	5,903
Cash at bank	14,299	118,307
	14,671	124,210

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	14,671	124,210
Balance as per statement of cash flows	14,671	124,210

Note 9. Current assets - trade and other receivables

	2019 $	2018 $
Trade receivables	468,031	464,006
GST refundable	30,435	40,380
Property bond	3,534	-
	502,000	504,386

Note 10. Current assets - inventories

	2019 $	2018 $
Stock in transit	122,623	243,674
Stock on hand	426,868	585,435
	549,491	829,109

The inventories have been valued at the lower of cost and net realisable value. Cost is calculated using weighted average methods. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The consolidated entity imports stock from overseas on Free On Board (FOB) terms which means the consolidated entity assumes the risks and takes ownership of the stock once the seller ships the product. Once the stock arrives in a warehouse in Australia, the consolidated entity recognises the amounts as stock on hand.

Note 11. Current assets - income tax refundable

	2019 $	2018 $
Income tax instalments refundable	4,434	8,700
	4,434	8,700

Note 12. Current assets - other

	2019 $	2018 $
Deposits paid	-	268
Prepaid expenses	13,256	-
Property deposit	-	5,500
Other	4,158	2,717
	17,414	8,485

Note 13. Non-current assets - property, plant and equipment

	2019 $	2018 $
Plant and equipment - at cost	21,338	39,924
Less: Accumulated depreciation	(10,915)	(8,805)
	10,423	31,119

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Total $
Balance at 1 July 2017	-	-
Additions	34,262	34,262
Disposals	-	-
Depreciation expense	(3,143)	(3,143)
Balance at 30 June 2018	31,119	31,119
Balance at 1 July 2018	31,119	31,119
Additions	7,376	7,376
Disposals	(19,570)	(19,570)
Depreciation expense	(8,502)	(8,502)
Balance at 30 June 2019	10,423	10,423

Note 14. Non-current assets - intangibles

	2019 $	2018 $
Trademarks - at cost	34,667	7,743
Less: Accumulated amortisation	(4,003)	(1,840)
	30,664	5,903
Website - at cost	16,000	-
Less: Accumulated amortisation	(267)	-
	15,733	-
	46,397	5,903

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Trademarks $	Website $	Total $
Balance at 1 July 2017	3,995	-	3,995
Additions	3,115	-	3,115
Amortisation expense	(1,207)	-	(1,207)
Balance at 30 June 2018	5,903	-	5,903
Balance at 1 July 2018	5,903	-	5,903
Additions	26,924	16,000	42,924
Amortisation expense	(2,163)	(267)	(2,430)
Balance at 30 June 2019	30,664	15,733	46,397

Note 15. Current liabilities - trade and other payables

	2019 $	2018 $
Trade payables	303,453	615,504
Accrued expenses	75,000	92,981
Factoring account	296,356	262,906
PAYG withholding	21,113	14,690
Other payables	102,830	10,617
	798,752	996,698

Note 16. Current liabilities - borrowings

	2019 $	2018 $
Borrowings	152,352	-
	152,352	-

The unsecured loans represent non-interest bearing debt owing to shareholders of the company which are expected to be settled within the next 12 months.

Assets pledged as security
The consolidated entity has unused borrowing facilities which are detailed in note 24.

A security deed over property of the Group has been provided in relation to the factoring agreement with Scottish Pacific.

Note 17. Current liabilities - employee benefits

	2019 $	2018 $
Employee benefits	40,159	18,896
	40,159	18,896

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2019 $	2018 $
Employee benefits obligation expected to be settled after 12 months	4,016	1,890

Note 18. Current liabilities - other

	2019 $	2018 $
Rebates payable	-	7,375
	-	7,375

Note 19. Non-current liabilities - borrowings

	2019 $	2018 $
Unsecured loans	-	152,352
	-	152,352

The unsecured loans represent non-interest bearing debt owing to shareholders of the company which are not expected to be settled within the next 12 months.

Note 20. Non-current liabilities - employee benefits

	2019 $	2018 $
Employee benefits	15,956	5,543
	15,956	5,543

Note 21. Equity - issued capital

	2019 $	2018 $
Ordinary shares - fully paid	586,451	586,451
	586,451	586,451

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	30 June 2017	160		409,980
Issue of shares	27 September 2017	10	17,647	176,471
Balance	30 June 2018	170		586,451
Balance	30 June 2019	170		586,451

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have on vote.

Note 22. Equity - reserves

	2019 $	2018 $
Foreign currency reserve	(742)	198
	(742)	198

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

Consolidated	**Foreign currency $**	**Total $**
Balance at 30 June 2017	556	556
Foreign currency translation	(358)	(358)
Balance at 30 June 2018	198	198
Foreign currency translation	(940)	(940)
Balance at 30 June 2019	(742)	(742)

Note 23. Equity - retained losses

	2019 $	2018 $
Retained profits at the beginning of the financial year	(255,601)	7,497
Loss after income tax expense for the year	(192,497)	(263,098)
Retained losses at the end of the year	(448,098)	(255,601)

Note 24. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidate entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Market risk
Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The consolidated entity has not entered into any forward foreign exchange contracts to protect against exchange rate movements.

Note 24. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected credit loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The consolidated entity does not hold any guarantees in relation to any specific receivables but management closely monitors the receivable balance of each customer on a monthly basis and is in regular contact with customers to mitigate risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a payment plan and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available trade finance and debtor factoring facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	2019 $ AUD	2018 $ AUD
Australian Dollars		
Bank overdraft	100,000	100,000
Credit cards	10,198	4,383
Debtor factoring facilities	203,644	237,094
Revolving facility	300,000	300,000
	613,842	641,477

	2019 $ NZD	2018 $ NZD
New Zealand Dollars		
Bank overdraft	10,000	10,000
	10,000	10,000

	2019 $ USD	2018 $ USD
United States Dollars		
Trade finance facilities	250,000	250,000
	250,000	250,000

Note 25. Key management personnel disclosures

	2019 $	2018 $
Short-term employee benefits	180,000	140,000
	180,000	140,000

Note 26. Remuneration of auditors

	2019 $	2018 $
Audit services - PKF Melbourne	25,000	25,000
Taxation and other services - PKF Melbourne	22,016	9,400
	47,016	34,400

Note 27. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Note 28. Commitments

	2019 $	2018 $
Lease commitments - operating		
Committed at the reporting date but not recognise as liabilities, payable:		
Within one year	51,438	51,438
One to five years	135,062	176,651
More than five years	-	9,849
	186,500	237,938

Operating lease commitments includes contracted amounts for property, plant and equipment under non-cancellable operating leases expiring within one to three years with, in some cases, options to extend.

Note 29. Related party transactions

Parent entity
Forbidden Foods Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 31.

Note 29. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	2019 $	2018 $
Payment for social media/photography services		
An Architect Photographed My Undies (Director-related business of Jarrod Milani)	20,051	14,985
Payment for graphic design services		
Tess Milani (Director-related business of Jarrod Milani)	5,200	5,550
	25,251	20,535

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current of previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2019 $	2018 $
Profit after income tax	-	-
Total comprehensive income	-	-

Statement of financial position

	2019 $	2018 $
Total current assets	4,570	8,836
Total assets	777,534	777,534
Total current liabilities	152,352	-
Total liabilities	152,352	152,352
Total equity	625,182	625,182

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Radnor Corp Pty Ltd	Australia	100.00%	100.00%
Radnor Unit Trust	Australia	100.00%	100.00%
Forbidden Foods Property Holdings Pty Ltd	Australia	100.00%	100.00%
Forbidden Foods Limited	New Zealand	100.00%	100.00%

Note 32. Reconciliation of loss after income tax to net cash from operating activities

	2019 $	2018 $
Loss after income tax expense for the year	(192,497)	(263,098)
Adjustments for:		
Depreciation and amortisation expenses	10,931	4,350
Gain on disposal of property, plant and equipment	(6,690)	-
Finance costs	121,099	107,865
Foreign exchange differences	(715)	356
Change in operating assets and liabilities:		
(Increase) decrease in receivables	8,994	(87,546)
(Increase) decrease in inventories	280,816	(397,746)
(Increase) decrease in other assets	(14,430)	5,146
Increase (decrease) in payables	(201,165)	624,862
Increase (decrease) in employee benefits	(8,483)	16,177
Increase (decrease) in other liabilities	37,049	(17,112)
Net cash from/(used in) operating activities	34,909	(6,746)

Note 33. Events after the reporting period

Since 30 June 2019, the following events have occurred:

Convertible notes
The consolidated entity raised $2,000,000 via the issue of convertible notes in two tranches:
- Tranche 1: $1,539,000 on 13 December 2019; and
- Tranche 2: $461,000 on 29 January 2020.

The convertible notes were issued to enable the company to pursue an Initial Public Offering.

Initial Public Offering
As at the date of signing the financial report, the company is in the process of completing an Initial Public Offering to raise approximately $6,000,000 to $7,000,000. Should the company be successful in completing the Initial Public Offering, it is anticipated the Initial Public Offering will be completed in June 2020.

Note 33. Events after the reporting period (continued)

Share split
The directors resolved on 23 January 2020 to split the total number of ordinary shares on issue from 170 ordinary shares to 40,000,000 ordinary shares. The total amount paid on these shares remained unchanged.

Conversion to a public company
Forbidden Foods Pty Ltd converted to a public company on 11 March 2020. The name of the company is now Forbidden Foods Limited.

Non-Executive Director agreements
The company entered into agreements with each of Mark Hardgrave and Colleen Lockwood, in respect of their services to the company as Non-Executive Directors. Both Mark Hardgrave and Colleen Lockwood were formally appointed as directors of the company with the Australian Securities and Investments Commission on 23 January 2020.

Coronavirus (COVID-19)
Management have assessed the financial impacts of COVID-19 on the fair value of assets, net realisable value of inventory and the recoverability of amounts owing to the consolidated entity. As at the date of signing this report, the accounting estimates and judgements made by management are not known to be materially impacted by COVID-19. Management have also assessed the potential impact on the groups supply chain for raw materials and the cost of acquiring raw materials due to fluctuations in foreign exchange rates. The groups supply chain has not been impacted to date however the Australian Dollar has depreciated against the United States Dollar which has increased the cost of raw material orders.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

Note 34. Company details

The registered office of the company is:
PKF Melbourne
Level 12, 440 Collins Street, Melbourne, VIC 3000

The principal place of business is:
Forbidden Foods Limited
Level 7, 575 Bourke Street, Melbourne, VIC 3000

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Marcus Brown
Director

13 May 2020
Melbourne

Independent Auditor's Report to the members of Forbidden Foods Limited

Qualified Opinion

We have audited the accompanying financial report of Forbidden Foods Limited (the Company) and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to opening physical inventory quantities, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Qualified Opinion

We did not observe the counting of opening physical inventories as at 30 June 2018, since the respective date and associated stock count procedures were prior to the time we were initially engaged as auditors for the Group. We were unable to satisfy ourselves as to opening inventory existence by alternative audit procedures. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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

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

Material Uncertainty Relating to Going Concern

We draw attention to Note 2 in the financial report, which comments on conditions, including current financial loss and cash outflows on operations that, along with other matters and assumptions set forth in the note indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

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

In Note 2, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit.

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

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

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

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

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

PKF

K Weldin

PKF

Melbourne, 13 May 2020

Kenneth Weldin

Partner