

Lodged with the ASX under Listing Rule 4.3A

1. Company details

Name of entity:	Forbidden Foods Limited
ABN:	82 616 507 334
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

	Movement	%	\$
Revenue from ordinary activities	Increase	20.1	4,119,947
Loss for the year attributable to Forbidden Foods Limited shareholders	Increase	1,122.5	(2,353,300)
Total comprehensive loss for the year attributable to Forbidden Foods Limited shareholders	Increase	1,116.3	(2,352,779)

The consolidated entity (referred to hereafter as the 'Group') consisting of Forbidden Foods Limited and the entities it controlled at the end of, or during, the reporting period, has adopted AASB 16 *Leases* for the year ended 30 June 2020 using the modified retrospective approach and as such the comparatives have not been restated.

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Results

The loss for the Group after providing for income tax amounted to \$2,353,300 (30 June 2019: \$192,497).

The growth in revenue is largely driven by three factors:

- increased orders from existing customers;
- new customers; and
- introduction of new sales lines.

The new customers were predominantly in retail with the Group supplying its first order to Metcash in the last quarter of the year and a new retail distribution partnership in New Zealand. The new sales lines under the Group's three primary brands (Forbidden, Sensory Mill and Funch) are targeted at the retail market and were introduced into the Australian market in the last quarter of the year.

During the year the Group successfully raised \$2,000,000 via the issue of two tranches of convertible notes. On 13 December 2019 the Group issued convertible notes for total proceeds of \$1,539,000, and on 29 January 2020 the Group issued further convertible notes for total proceeds of \$461,000. The purpose of the issue of convertible notes was to raise capital for the Group to facilitate future growth.

The loss for the year was largely driven by the following operating expenses:

- **employee benefits expense** – increased due to amounts incurred in relation to share-based payments to non-executive directors as well as an increase in the headcount in multiple areas of the business including a Supply Chain Co-Ordinator, Product Development Co-Ordinator and National Retail Sales Manager.
- **freight out and distribution expense** – increased due to the higher levels of inventory the business was carrying which increased the storage expenses incurred by the Group. The increase in inventory was a strategic decision in order to prepared for an increased level of sales.
- **marketing and promotion costs** – increased due to preparations with external agencies that drive consumer marketing programs for existing lines and new product launches.

- **other expenses** – increased due to the group incurring additional expenses in becoming a publicly listed entity. These expenses included consulting fees and travel costs which increased during the raising of the convertible notes and external consultants who assisted with upgrading IT systems, cyber security processes and website maintenance and upgrades during the year. Other key items contributing to the increase in other expenses include the new product development of the baby food trials and other costs associated with developing and trialling new products.
- **finance costs** – increased largely due to the convertible notes issued by the Group including the one-off costs incurred by the Group in issuing the convertible notes such as selling fees, management fees and legal fees for preparing the convertible note agreements.

Despite the loss for the year, the directors are extremely pleased with how the Group continues to navigate the challenges of COVID-19 and continues to grow revenue on a year-on-year basis. The Group's ability to raise capital during the year and increase the headcount in key areas of the business has positioned the business to pursue its strategic growth plan to capture market share and generate new revenues.

3. Net tangible assets

	30 Jun 2020 Cents	30 Jun 2019 Cents
Net tangible asset backing per ordinary share	(5.49)	53,655.17

Comparatives have not been restated for the share split that occurred during the current year (see note 6 to the preliminary financial report).

4. Entities over which control has been gained or lost during the period

Not applicable.

5. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

The results of the New Zealand subsidiary, Forbidden Foods Limited (New Zealand), have been compiled using International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

9. Audit

This report should be read in conjunction with the preliminary financial report. The financial statements in the preliminary financial report are in the process of being audited.

10. Attachments

The preliminary financial report of Forbidden Foods Limited and its controlled entities for the year ended 30 June 2020 are attached.

11. Signed



Signed

Mark Hardgrave

Non-Executive Chairman

Date: 28 August 2020

**Forbidden Foods Limited
and its controlled entities**

ABN: 82 616 507 334

Preliminary Financial Report – 30 June 2020

Forbidden Foods Limited

ABN: 82 616 507 334

**Preliminary consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
Revenue		4,119,947	3,429,344
Other income		68,447	6,690
Expenses			
Changes in inventories		(502,774)	279,618
Raw materials and consumables used		3,212,294	1,926,490
Employee benefits expense		795,590	409,664
Freight out and distribution expense		602,053	434,686
Depreciation and amortisation expense		122,825	10,931
Marketing and promotion costs		207,780	71,423
Occupancy costs		23,934	56,387
Other expenses		815,551	318,233
Finance costs		1,264,441	121,099
Loss before income tax expense		(2,353,300)	(192,497)
Income tax expense		-	-
Loss after income tax expense for the year		(2,353,300)	(192,497)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		521	(940)
Total comprehensive loss for the year		(2,352,779)	(193,437)
Loss for the year attributable to Forbidden Foods Limited shareholders		(2,353,300)	(192,497)
Total comprehensive loss for the year attributable to Forbidden Foods Limited shareholders		(2,352,779)	(193,437)

	Note	2020 Cents	2019 Cents
Basic earnings per share	8	(13.51)	(113,233.53)
Diluted earnings per share	8	(4.06)	(113,233.53)

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**Preliminary consolidated statement of financial position
For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents		136,308	14,671
Trade and other receivables		694,414	502,000
Inventories		1,052,265	549,491
Income tax refundable		4,434	4,434
Other		281,967	17,414
Total current assets		<u>2,169,388</u>	<u>1,088,010</u>
Non-current assets			
Property, plant and equipment		15,587	10,423
Intangibles		53,137	46,397
Right-of-use assets	2	<u>31,656</u>	<u>-</u>
Total non-current assets		<u>100,380</u>	<u>56,820</u>
Total assets		<u>2,269,768</u>	<u>1,144,830</u>
Liabilities			
Current liabilities			
Trade and other payables		1,425,019	798,752
Borrowings	3	1,906,434	152,352
Derivative financial instruments	4	901,564	-
Employee benefits		100,675	40,159
Lease liabilities	5	<u>32,091</u>	<u>-</u>
Total current liabilities		<u>4,365,783</u>	<u>991,263</u>
Non-current liabilities			
Employee benefits		<u>15,085</u>	<u>15,956</u>
Total non-current liabilities		<u>15,085</u>	<u>15,956</u>
Total liabilities		<u>4,380,868</u>	<u>1,007,219</u>
Net (liabilities)/assets		<u>(2,111,100)</u>	<u>137,611</u>
Equity			
Issued capital	6	586,451	586,451
Reserves	7	103,847	(742)
Retained losses		<u>(2,801,398)</u>	<u>(448,098)</u>
Total equity		<u>(2,111,100)</u>	<u>137,611</u>

Forbidden Foods Limited

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**Preliminary consolidated statement of changes in equity
For the year ended 30 June 2020**

Consolidated	Issued capital \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2018	586,451	198	(255,601)	331,048
Loss after income tax for the year	-	-	(192,497)	(192,497)
Other comprehensive income for the year	-	(940)		(940)
Total comprehensive income/(loss) for the year	-	(940)	(192,497)	(193,437)
Balance at 30 June 2019	<u>586,451</u>	<u>(742)</u>	<u>(448,098)</u>	<u>137,611</u>
Consolidated	Issued capital \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2019	586,451	(742)	(448,098)	137,611
Loss after income tax for the year	-	-	(2,353,300)	(2,353,300)
Other comprehensive income for the year	-	521	-	521
Total comprehensive income/(loss) for the year	-	521	(2,353,300)	(2,352,779)
Share-based payments (note 9)	-	104,068	-	104,068
Balance at 30 June 2020	<u>586,451</u>	<u>103,847</u>	<u>(2,801,398)</u>	<u>(2,111,100)</u>

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

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**Preliminary consolidated statement of cash flows
For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		3,774,594	3,383,668
Payments to suppliers and employees		(4,977,619)	(3,353,025)
Income taxes paid		-	4,266
Other income		68,447	-
Net cash (used in)/from operating activities		(1,134,578)	34,909
Cash flows from investing activities			
Payments for intangibles		(18,142)	(42,924)
Payments for property, plant and equipment		(11,106)	(7,376)
Proceeds from sales of property, plant and equipment		-	26,261
Net cash used in investing activities		(29,248)	(24,039)
Cash flows from financing activities			
Proceeds from issue of convertible notes		2,000,000	-
Finance costs		(309,233)	(121,099)
Capital raising costs		(144,566)	-
Repayment of borrowings		(152,957)	-
Repayment of lease liabilities		(107,690)	-
Net cash from/(used in) financing activities		1,285,554	(121,099)
Net increase/(decrease) in cash and cash equivalents		121,728	(110,229)
Cash and cash equivalents at the beginning of the financial year		14,671	124,210
Effects of exchange rate changes on cash and cash equivalents		(91)	690
Cash and cash equivalents at the end of the financial year		136,308	14,671

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**Notes to the preliminary financial report
For the year ended 30 June 2020****Note 1. Summary of significant accounting policies**

Except for the changes made upon the implementation of AASB 16 *Leases* (the details of which are explained in Note 2 *Basis of preparation and changes to the Group's accounting policies* in the consolidated entity's financial statement for the half-year ended 31 December 2019):

- there have been no material changes to the consolidated entity's application of its significant accounting policies as presented in the consolidated entity's financial statements for the year ended 30 June 2019; and
- the preparation of current financial information, and the presentation of any prior period comparatives, is consistent from one reporting period to the next.

Readers of this report should refer to Note 2 *Significant accounting policies* in the consolidated entity's financial statements for the year ended 30 June 2019 for details of those policies.

Note 2. Right-of-use assets

	2020 \$	2019 \$
Right-of-use assets	31,656	-
	<u>31,656</u>	<u>-</u>

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period:

	\$
As at 1 July 2019	172,766
Additions	73,645
Derecognition of option on lease	(109,275)
Depreciation expense	<u>(105,480)</u>
As at 30 June 2020	<u>31,656</u>

Note 3. Borrowings

	2020 \$	2019 \$
Borrowings	-	152,352
Convertible notes	<u>1,906,434</u>	<u>-</u>
	<u>1,906,434</u>	<u>152,352</u>

On 13 December 2019 the company issued convertible notes to various investors for total proceeds of \$1,539,000, and on 29 January 2020 the company issued further convertible notes for total proceeds of \$461,000.

The terms of both tranches of convertible notes included a derivative financial instrument which per AASB 9 *Financial Instruments* is required to be accounted for separate to the host liability. Further details on the derivative liability are included in note 4.

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Note 4. Derivative financial instrument

	2020 \$	2019 \$
Derivative financial instrument	901,564	-
	<u>901,564</u>	<u>-</u>

The derivative financial instrument is embedded in the convertible notes issued by the company during the period. The terms of the convertible notes are if the company undertakes an Initial Public Offering on the Australia Stock Exchange prior to the maturity date of the convertible notes, the convertible notes including accrued interest, will automatically convert to ordinary shares at an effective price equal to 70% of the IPO price.

Note 5. Lease liabilities

	2020 \$	2019 \$
Lease liabilities	32,091	-
	<u>32,091</u>	<u>-</u>

Set out below are the carrying amounts of the lease liabilities recognised and the movements during the period:

	\$
As at 1 July 2019	172,766
Additions	73,645
Accretion of interest	2,645
Payments	(107,690)
Derecognition of option on lease	(109,275)
As at 30 June 2020	<u>32,091</u>

Note 6. Issued capital

	2020 \$	2019 \$
Ordinary shares – fully paid	586,451	586,451
	<u>586,451</u>	<u>586,451</u>

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Note 6. Issued capital (continued)*Movements in ordinary share capital*

Movements in ordinary share capital during the current and previous financial year are set out below:

Details	Date	Shares	Issued price	\$
Balance	30 June 2018	170	-	586,451
Balance	30 June 2019	170	-	586,451
Share split	23 January 2020	39,999,830	-	-
Balance	30 June 2020	40,000,000		586,451

Share split

A share split occurred on 23 January 2020 which resulted in the subdivision of the Company's issued capital from 170 ordinary shares into 40,000,000 ordinary shares at a ratio of 1 to 235,294.117647.

Note 7. Reserves

	2020 \$	2019 \$
Foreign currency reserve	(221)	(742)
Share-based payments reserve	104,068	-
	103,847	(742)

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.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to non-executive directors as part of their remuneration.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency reserve \$	Share-based payments reserve \$	Total \$
Balance at 1 July 2018	198	-	198
Foreign currency translation	(940)	-	(940)
Balance at 30 June 2019	(742)	-	(742)
Foreign currency translation	521	-	521
Share-based payments expense	-	104,068	104,068
Balance at 30 June 2020	(221)	104,068	103,847

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Note 8. Earnings per share

	2020 \$	2019 \$
Loss for the year attributable to Forbidden Foods Limited shareholders	(2,353,300)	(192,497)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	17,424,753	170
Adjustments for calculation of diluted earnings per share:		
Dilutive potential ordinary shares	48,552,369	-
Options over ordinary shares	5,500,000	-
Share consolidation (see note 10)	(13,551,370)	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	57,925,752	170
	Cents	Cents
Basic earnings per share	(13.51)	(113,233.53)
Diluted earnings per share	(4.06)	(113,233.53)

Note 9. Share-based payments

During the year the company granted 1,500,000 options to non-executive directors which was approved by shareholders by way of circular resolutions on 23 January 2020.

Each option represents an entitlement to receive on ordinary share upon satisfaction of applicable conditions and payment of the applicable exercise price. The exercise price per option is \$0.30.

Note 10. Subsequent events

Since 30 June 2020, the following events have occurred:

Initial Public Offering

As at the date of signing the preliminary financial report, the company is in the process of completing an Initial Public Offering to raise \$6,000,000. The business expects to utilise half of the proceeds raised through sales, marketing and brand development activities with the balance to cover administration costs, expenses of the offer and other working capital requirements of the business. The shares in the company are expected to begin trading on the ASX on a normal settlement basis on Monday, 31 August 2020.

Share consolidation

A share consolidation occurred on 13 July 2020 which resulted in the reduction of the company's issued capital from 40,000,000 ordinary shares into 26,448,630 ordinary shares at a ratio of 0.66121575 to 1.