



forbidden<sup>®</sup>

• FOODS •

**ANNUAL  
REPORT**  
**30 JUNE 2020**

Forbidden Foods Limited  
ACN 616 507 334



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# DIRECTORS' REPORT

The directors of Forbidden Foods Limited ('the Company' or 'parent entity') present their report together with the consolidated financial statements of Forbidden Foods Limited for the year ended 30 June 2020. The consolidated financial report covers Forbidden Foods and its controlled entities ('the consolidated entity' or 'Forbidden Foods') at the end of, or during, the financial year.

## DIRECTORS

The following persons held office as directors of Forbidden Foods Limited during the financial year and up to the date of this report, unless otherwise stated:

**Mark Hardgrave** (Chair) (Independent, non-executive) (appointed 23 January 2020)

**Colleen Lockwood** (Independent, non-executive) (appointed 23 January 2020)

**Marcus Brown** (Chief Executive Officer)

**Jarrold Milani** (Chief Operating Officer)

**Nigel Sharp** (non-executive) (resigned on 1 November 2019)

## PRINCIPAL ACTIVITIES

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

There were no changes in the principal activities of the consolidated entity during the 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 after providing for income tax amounted to \$2,353,300 (30 June 2019: \$192,497). The loss for the year was largely driven by operating expenses as detailed below.

Forbidden Foods achieved revenue growth of 20.1% to \$4,119,947 (30 June 2019: \$3,429,344). This revenue growth was 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 consolidated entity supplying its first order to Metcash in the last quarter of the year and a new retail distribution partner in New Zealand. The new sales lines under the consolidated entity'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 consolidated entity successfully raised \$2,000,000 via the issue of two tranches of convertible notes. On 13 December 2019 the consolidated entity issued convertible notes for total proceeds of \$1,539,000, and on 29 January 2020 the consolidated entity issued further convertible notes for total proceeds of \$461,000. The purpose of the issue of convertible notes was to raise capital for the consolidated entity to facilitate future growth.

The operating expenses which largely contributed to the loss for the year were:

- **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 consolidated entity. The increase in inventory was a strategic decision in order to prepare 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.

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS (continued)

- **other expenses** – increased due to the consolidated entity incurring additional expenses that were one-off in nature 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 consolidated entity including the one-off costs incurred by the consolidated entity 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 consolidated entity continues to navigate the challenges of COVID-19 and continues to grow revenue on a year-on-year basis. The consolidated entity'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.

## IMPACT OF THE COVID-19 PANDEMIC

The production, distribution and selling of food are essential services and are currently able to operate throughout Australia.

Forbidden Foods grew sales throughout its retail channels as a result of the increased demand for food ingredients, however this growth was offset by the reduced demand from food service channels as restaurant trading was restricted.

Earlier in 2020, Forbidden Foods experienced slight delays on the supply of one rice product from Vietnam, however these delays were resolved. Certain manufacturers that Forbidden Foods engages have experienced temporary reductions in staffing levels and temporary operational disruptions as a result of social distancing measures, which has limited their output capacity. This led to increases in the cost to pack and produce some of Forbidden Foods' products.

Forbidden Foods has engaged additional manufacturers for the production and packaging of certain of its products. There are a range of Australian-based manufacturers available to be engaged by the consolidated entity.

Accordingly, whilst Forbidden Foods has had to broaden its manufacturing network, it has not experienced any material capacity constraints as a result of COVID-19.

## FY21 OUTLOOK INCLUDING LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

2020 was a landmark year for Forbidden Foods – in successfully raising \$8 million of new capital, it has provided Forbidden Foods a platform from which to launch new products, attract new customers and increase business with existing customers. The year culminated in a successful Initial Public Offering ("IPO") on the Australian Securities Exchange ("ASX") on 31 August 2020.

Forbidden Foods believes that the promotion of healthy lifestyles together with growing disposable income levels, food safety concerns and a focus on environmental sustainability has increased the demand for organic, clean, healthy and natural foods. Given these broad trends, Forbidden Foods' core strategy is to target retail buyers with existing and new lines of its organic food products, healthy snacks and baby foods, and to target wholesale channels such as industrial food service and food manufacturers to buy its healthy food products in bulk. Each of these market segments represent a significant market in Australia and overseas.

Forbidden Foods' strategy is to establish and grow its market share in order to grow its revenues and generate profits.

It aims to achieve this strategy by:

- launching a new Funch baby foods product line;
- expanding product development and innovation;
- increasing its existing market penetration
- increasing its online presence; and
- broadening its international focus.

Forbidden Foods is proud to have achieved significant milestones during FY20, welcomes its new shareholders and looks forward to growing its business further during FY21.

# DIRECTORS' REPORT

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, other than the matters identified in this report, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2020, the following events have occurred:

### 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.

### Initial Public Offering

On 31 August 2020, the company commenced trading as a listed company on the Australian Securities Exchange (ASX) having completed an Initial Public Offering which raised \$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.

### 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 consolidated entity's supply chain for raw materials and the cost of acquiring raw materials due to fluctuations in foreign exchange rates. The consolidated entity's 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.

The impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. This situation is developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine and any economic stimulus that may be provided.

### CFO Appointment

Sam Fraser was appointed as Chief Financial Officer and will commence in that role on 1 October 2020.

No other matters or circumstances have arisen since 30 June 2020 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.

## ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulations under Australian Commonwealth, State or Territory law.



# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS

The directors at the date of this report are:

NAME AND POSITION	EXPERIENCE AND QUALIFICATIONS
Mark Hardgrave, Independent Non-Executive Chair B.Com, CA, GIACD	<p>Mark was appointed as a director in January 2020 and has over 35 years' experience in the finance industry. He is co-founder and former joint managing director of M&amp;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 and as non-executive director of Traffic Technologies Ltd.</p> <p>Mark is also non-executive director of Nimble Finance Limited.</p> <p>Mark is Chair of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee.</p> <p><b>Other current directorships:</b> None</p> <p><b>Former Directorships</b> in the last 3 years: Wingara AG Ltd</p> <p><b>Interests in shares:</b> 382,192 ordinary shares</p> <p><b>Interests in options:</b> 1,000,000 options</p>
Colleen Lockwood, Independent Non-Executive Director	<p>Colleen was appointed as a director in January 2020 and 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.</p> <p>Colleen is currently the business relationship manager at Turosi, a leading, privately owned Australian food manufacturer and supplier.</p> <p>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 its development and growth.</p> <p>Colleen is chair of the Remuneration and Nomination Committee and a member of the Audit, Risk and Compliance Committee.</p> <p><b>Other current directorships:</b> None</p> <p><b>Former directorships</b> in the last 3 years: None</p> <p><b>Interests in shares:</b> 76,439 ordinary shares</p> <p><b>Interests in options:</b> 500,000 options</p>

# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS (continued)

NAME AND POSITION	EXPERIENCE AND QUALIFICATIONS
<p>Marcus Brown, Chief Executive Officer and Managing Director</p> <p>B.Bus (International Trade)</p>	<p>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, Forbidden Foods 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.</p> <p>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.</p> <p>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.</p> <p>Marcus is a member of the Remuneration and Nomination Committee.</p> <p><b>Other current directorships:</b> None</p> <p><b>Former directorships in the last 3 years:</b> None</p> <p><b>Interests in shares:</b> 9,334,811</p> <p><b>Interests in options:</b> Nil</p>
<p>Jarrod Milani, Chief Operating Officer and Executive Director</p> <p>B.Bus (Marketing), GAICD</p>	<p>Jarrod co-founded the company with Marcus Brown in 2010.</p> <p>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.</p> <p>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.</p> <p>Jarrod is a member of the Audit and Risk Committee.</p> <p><b>Other current directorships:</b> None</p> <p><b>Former directorships in the last 3 years:</b> None.</p> <p><b>Interests in shares:</b> 9,334,811</p> <p><b>Interests in options:</b> Nil</p>

## COMPANY SECRETARY

Adam Soffer was appointed Company Secretary on 7 April 2020. He has 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 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).

# DIRECTORS' REPORT

## MEETINGS OF DIRECTORS

The number of meetings of Forbidden Foods Limited's Board of Directors and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Board		Audit, Risk and Compliance Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Mark Hardgrave	1	1	0	0	0	0
Colleen Lockwood	1	1	0	0	0	0
Marcus Brown	1	1	*	*	0	0
Jarrold Milani	1	1	0	0	*	*
Nigel Sharp	0	0	*	*	*	*

A = Number of meetings held during the time the director held office or was a member of the committee during the year.

B = Number of meetings attended.

\* = Not a member of the relevant board/committee.

## REMUNERATION REPORT (AUDITED)

The Board's Remuneration and Nomination Committee (the "Committee") presents the Remuneration Report which includes information on the remuneration arrangements for Forbidden Foods' Key Management Personnel (KMP) for the year ended 30 June 2020. The report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001* (Cth) and Regulations.

The report is structured as follows:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Relationship between the remuneration policy and company performance
- (f) Key management personnel disclosures

### (a) Principles used to determine the nature and amount of remuneration

#### Remuneration governance

Remuneration in respect of directors and executives of the consolidated entity is overseen by the Remuneration and Nomination Committee of Forbidden Foods.

The Committee will ensure that Forbidden Foods has coherent remuneration policies and practices to attract, motivate and retain executives and directors who will create value for shareholders and who are appropriately skilled and diverse, observe those remuneration policies and practice; fairly and responsibly reward executives having regard to Forbidden Foods' and individual performance, the performance of the executives and the general external pay environment, and integrate human capital and organisational issues into its overall business strategy.

Remuneration will be reviewed on at least an annual basis with consideration given to individuals' performance and their contribution to Forbidden Foods' success (against measurable key performance indicators), external market relativities, shareholders' interests and desired market positioning.



# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (a) Principles used to determine the nature and amount of remuneration (continued)

#### Key committee decisions and remuneration outcomes in FY20

As the Committee was established a short time prior to Forbidden Foods' application for admission to the official list of ASX, it did not hold any meetings during the reporting period of FY2020.

Changes to KMP remuneration during the year were approved by the Chair of the Board of Forbidden Foods prior to the establishment of the Committee. The previous remuneration arrangements for the Executive KMP were not considered appropriate for a listed company as there was no "at-risk" remuneration. These arrangements took effect on 1 July 2020, hence there are no STI or LTI payments included in the numbers reported for FY20.

Additionally, with the appointment of Mark Hardgrave and Colleen Lockwood as independent directors in January 2020, Forbidden Foods incurred directors fees for the first time. No fees were previously paid to non-executive directors.

#### Executive remuneration

Executive remuneration consists of fixed remuneration, equity-based remuneration, and termination payments such as superannuation. Superannuation contributions are paid into the executive's nominated superannuation fund.

#### Non-executive director remuneration

Each Director has signed a letter of appointment which sets out the conditions of the appointment including the remuneration for the position.

<b>How are Non-Executive Director fees set?</b>	Fees are set to ensure non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to perform the role.
<b>Who approves the fees?</b>	Each non-executive director of Forbidden Foods is paid an amount determined by the Board. Non-executive directors do not receive any equity-based payments, retirement benefits or incentive payments.
<b>Is there a maximum fee?</b>	Non-Executive Director fees are subject to a maximum aggregate amount approved by security holders of \$250,000 per annum.

#### Fixed remuneration

Executive and non-executive Directors are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards, which should be reasonable and fair; take into account the Forbidden Foods' legal and industrial obligations and labour market conditions, be relative to the scale of the business, reflect core performance requirements and expectations, and take into account incumbent skills and experience, and the time commitment and responsibilities of the role.

#### Variable performance-based remuneration

The consolidated entity did not pay in FY20 any variable performance-based remuneration to its directors and executives.

#### Equity-based remuneration

This can include options or performance shares and is especially effective when linked to hurdles that are aligned to the Forbidden Foods' longer-term performance objectives. It should also take into account executive performance. However, programs should be designed so that they do not lead to 'short-termism' on the part of senior executives or the taking of undue risks.

#### Termination payments

All directors and executives are not entitled to retirement benefits other than superannuation or those required under law.

#### Securities trading policy

The trading of Group's securities by employees and directors is subject to, and conditional upon, the Securities Dealing Policy in company Securities which is available on Forbidden Foods' corporate website at [www.forbiddenfoodsgroup.com.au](http://www.forbiddenfoodsgroup.com.au).

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (b) Details of remuneration

Key Management Personnel (KMP) of Forbidden Foods are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any Director (whether Executive or otherwise) of the consolidated entity receiving the highest remuneration. Details of the remuneration of the KMP of Forbidden Foods are set out in the following tables.

The following persons held office as directors of Forbidden Foods Limited during the whole of the financial year and up to the date of this report:

- **Mark Hardgrave** (Chair) (Independent, non-executive) (appointed 23 January 2020)
- **Colleen Lockwood** (Independent, non-executive) (appointed 23 January 2020)
- **Marcus Brown** (Chief Executive Officer)
- **Jarrold Milani** (Chief Operating Officer)
- **Nigel Sharp** (non-executive) (resigned on 1 November 2019)

There are no other key management personnel other than those stated above. Nigel Sharp received no compensation as a director and is hence not included in the tables in this report.

### KMP remuneration for the current and previous financial year:

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Bonus	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$	\$
<b>2020</b>							
<b>Directors:</b>							
Mark Hardgrave (from 23 January 2020)	26,636	-	2,530	-	-	69,379	98,545
Colleen Lockwood (from 23 January 2020)	15,982	-	1,518	-	-	34,689	52,189
Marcus Brown	108,033	-	9,110	3,277	-	-	120,420
Jarrold Milani	106,097	-	9,110	2,968	-	-	118,175
	256,748	-	22,268	6,245	-	104,068	389,329
<b>2019</b>							
<b>Directors:</b>							
Marcus Brown	91,032	-	7,808	1,971	-	-	100,811
Jarrold Milani	89,776	-	7,808	222	-	-	97,806
	180,808	-	15,616	2,193	-	-	198,617

1 Cash salary and fees: Include movements in annual leave entitlements.

2 Equity settled options: The value of options granted is expensed over the vesting period and are a non-cash accounting expense.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (c) Service agreements

Name	Mark Hardgrave
Title	Independent, non-executive chairman
Agreement commenced	23 January 2020
Term of agreement	Open
Details	On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the consolidated entity or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of their retirement or any unexpired portion of the term of their appointment.

Name	Colleen Lockwood
Title	Independent, non-executive director
Agreement commenced	23 January 2020
Term of agreement	Open
Details	On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the consolidated entity or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of their retirement or any unexpired portion of the term of their appointment.

Name	Marcus Brown
Title	Chief Executive Officer and Managing Director
Agreement commenced	1 July 2020
Term of agreement	Open
Details	On termination, resignation, retirement or removal from office for any reason, the CEO shall not be entitled to any damages for, or make any claim against the consolidated entity or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the CEO in respect of his retirement or any unexpired portion of the term of his appointment.
Termination by the Executive KMP or by Forbidden Foods without cause, mutually agreed resignation, retirement or other circumstance	12 months' notice
Termination by Forbidden Foods for cause	No notice period or termination payment unless the Board determines otherwise. Unvested STI or LTI entitlements lapse.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (c) Service agreements (continued)

Post-employment restraints	12 month non-compete and non-solicit restraints in Australia for each employee, subject to applicable law.
Name	Jarrold Milani
Title	Chief Operating Officer and Executive Director
Agreement commenced	1 July 2020
Term of agreement	Open
Details	On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the consolidated entity or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.
Termination by the Executive KMP or by Forbidden Foods without cause, mutually agreed resignation, retirement or other circumstance	12 months' notice
Termination by Forbidden Foods for cause	No notice period or termination payment unless the Board determines otherwise. Unvested STI or LTI entitlements lapse.
Post-employment restraints	12 month non-compete and non-solicit restraints in Australia for each employee, subject to applicable law.

### (d) Share-based compensation

#### Issue of shares

During the year ended 30 June 2020, there have been no issues of ordinary shares to the Directors and other Key Management Personnel as part of their remuneration.

#### Issue of options over ordinary shares

The number of options over ordinary shares granted to and vested by Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2020 are set out below

Name	No. of options granted during the year	No. of options granted during the prior year	No. of options vested during the year	No. of options vested during the prior year
Mark Hardgrave	1,000,000	-	-	-
Colleen Lockwood	500,000	-	-	-



# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (d) Share-based compensation (continued)

#### Director Options terms

TERM	DESCRIPTION
Grant date	Director Options were granted under invitation letters issued in March 2020.
Grant of Director Options	Each Director Option represents an entitlement to receive one Share upon satisfaction of applicable conditions and payment of the applicable exercise price. The exercise price per Director Option is \$0.30.
Conditions and vesting	The Director Options vested upon listing of Forbidden Foods on ASX on 31 August 2020.
Expiry	The Director Options expire 3 years after Listing.
Rights associated with Director Options	The Director Options do not attract dividends, voting rights or any capital distributions until exercised.
Escrow	The Director Options are subject to escrow until 31 August 2022.

### (e) Relationship between the remuneration policy and group performance

Remuneration of executives consists of an unrisks element (base pay). As such, remuneration is not linked to the financial performance of the consolidated entity in the current or previous reporting periods. It is the Committee's intention that an "at-risk" element to executives remuneration is implemented during FY21.

Non-executive director's remuneration is not affected by the consolidated entity performance.

### (f) Key management personnel disclosures

#### Shareholding

The number of shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

Director	Balance 30 June 2019	Acquired	Disposed	Received as Remuneration	Share split <sup>1</sup>	Balance 30 June 2020
Mark Hardgrave <sup>2</sup>	-	-	-	-	-	-
Colleen Lockwood <sup>2</sup>	-	-	-	-	-	-
Marcus Brown	60	-	-	-	14,117,587	14,117,647
Jarrold Milani	60	-	-	-	14,117,587	14,117,647

- The Company's issued capital was subdivided from 170 Shares to 40,000,000 Shares (on a share split ratio of 1:235,294.117647) on 23 January 2020. The share split was approved by a resolution passed on the same date.
- Following completion of its listing on ASX on 31 August 2020, Convertible Notes held by the non-executive directors converted to ordinary shares held in Forbidden Foods. As at 31 August 2020, Mark Hardgrave holds 382,192 shares and Colleen Lockwood holds 76,439 shares. A portion of these shareholdings is subject to escrow arrangements which expire on 31 August 2022.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (f) Key management personnel disclosures (continued)

#### Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director of Forbidden Foods, including their personally related parties, is set out below. The terms of these options are discussed in part (d) above.

Director	Balance 30 June 2019	Received as Remuneration	Exercised	Expired, forfeited and other Changes	Balance 30 June 2020
Mark Hardgrave	-	1,000,000	-	-	1,000,000
Colleen Lockwood	-	500,000	-	-	500,000
Marcus Brown	-	-	-	-	-
Jarrold Milani	-	-	-	-	-

#### Other transactions with key management personnel

There were no other transactions with key management personnel during the period.

#### \*End of Remuneration Report\*

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year, the consolidated entity has paid insurance premiums to insure each of the directors, and officers of the consolidated entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the consolidated entity other than conduct involving a wilful breach of duty in relation to the consolidated entity.

The contract of insurance prohibits disclosure of the nature of the liability covered and the amount of the premium.

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the consolidated entity or of any related body corporate against a liability incurred in their capacity as an auditor.

## 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.

## NON-AUDIT SERVICES

Details of the non-audit services provided to the consolidated entity by the Independent Auditor during the year ended 30 June 2020 are disclosed in note 27 of the financial statements.

# DIRECTORS' REPORT

## SHARES UNDER OPTION

Unissued ordinary shares of Forbidden Foods Limited under option at the date of this report are as follows:

Number of options	Exercise price	Expiry Date
5,500,000	\$0.30	31 August 2023

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

No shares were issued during the year on exercise of options.

## ROUNDING OF AMOUNTS TO THE NEAREST DOLLAR

The consolidated entity is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that Instrument, unless otherwise indicated.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

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:



Mark Hardgrave  
Chair

Melbourne  
30 September 2020

# AUDITOR'S INDEPENDENCE DECLARATION

PKF Melbourne



## 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 year ended 30 June 2020, 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.

A handwritten signature in black ink that reads "PKF".

PKF  
Melbourne, 30 September 2020

A handwritten signature in black ink that reads "Kenneth Weldin".

Kenneth Weldin  
Partner

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

		2020	2019
	NOTE	\$	\$
<b>Revenue</b>	4	4,119,947	3,429,344
Other income	5	68,447	6,690
<b>Expenses</b>			
Changes in inventories		(502,774)	279,618
Raw materials and consumables used		3,212,294	1,926,490
Employee benefits expense	6	795,590	409,664
Freight out and distribution expense		602,053	434,686
Depreciation and amortisation expense	6	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	6	1,264,441	121,099
<b>Loss before income tax expense</b>		(2,353,300)	(192,497)
Income tax expense	7	-	-
<b>Loss after income tax expense for the year</b>		(2,353,300)	(192,497)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		521	(940)
<b>Total comprehensive loss for the year</b>		(2,352,779)	(193,437)
Loss for the year is attributable to:			
Forbidden Foods Limited shareholders		(2,353,300)	(192,497)
		(2,353,300)	(192,497)
Total comprehensive loss for the year is attributable to:			
Forbidden Foods Limited shareholders		(2,352,779)	(193,437)
		(2,352,779)	(193,437)

  

		2020	2019
		CENTS	CENTS
<b>Earnings per share attributable to the owners of Forbidden Foods Limited</b>			
Basic earnings per share	34	(13.51)	(113,233.53)
Diluted earnings per share	34	(4.06)	(113,233.53)

The consolidated entity has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prefaced using AASB 17 and related interpretations.

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2020

		2020	2019
	NOTE	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	136,308	14,671
Trade and other receivables	9	694,414	502,000
Inventories	10	1,052,265	549,491
Income tax refundable	11	4,434	4,434
Other current assets	12	281,967	17,414
<b>Total current assets</b>		<b>2,169,388</b>	<b>1,088,010</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	15,587	10,423
Intangible assets	14	53,137	46,397
Right-of-use assets	15	31,656	-
<b>Total non-current assets</b>		<b>100,380</b>	<b>56,820</b>
<b>Total assets</b>		<b>2,269,768</b>	<b>1,144,830</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	1,425,019	798,752
Borrowings	17	1,906,434	152,352
Derivative financial instrument	18	901,564	-
Employee benefits	19	100,675	40,159
Lease liabilities	20	32,091	-
<b>Total current liabilities</b>		<b>4,365,783</b>	<b>991,263</b>
<b>Non-current liabilities</b>			
Employee benefits	21	15,085	15,956
<b>Total non-current liabilities</b>		<b>15,085</b>	<b>15,956</b>
<b>Total liabilities</b>		<b>4,380,868</b>	<b>1,007,219</b>
<b>Net (liabilities/assets)</b>		<b>(2,111,100)</b>	<b>137,611</b>
<b>Equity</b>			
Issued capital	22	586,451	586,451
Reserves	23	103,847	(742)
Retained losses	24	(2,801,398)	(448,098)
<b>Total equity</b>		<b>(2,111,100)</b>	<b>137,611</b>

The consolidated entity has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prefaced using AASB 17 and related interpretations.

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

		Issued capital	Reserves	Retained profits/ (losses)	Total equity
	NOTE	\$	\$	\$	\$
<b>Consolidated</b>					
Balance at 1 July 2018		586,451	198	(255,601)	331,048
Profit after income tax expense 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		586,451	(742)	(448,098)	137,611
		Issued capital	Reserves	Retained profits/ (losses)	Total equity
	NOTE	\$	\$	\$	\$
<b>Consolidated</b>					
Balance at 1 July 2019		586,451	(742)	(448,098)	137,611
Loss after income tax expense 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	35	-	104,068	-	104,068
Balance at 30 June 2020		586,451	103,847	(2,801,398)	(2,111,100)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

		2020	2019
	NOTE	\$	\$
<b>Cash flows from operating activities</b>			
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	32	(1,134,578)	34,909
<b>Cash flows from investing activities</b>			
Payments for intangibles		(18,142)	(42,924)
Payments for property, plant and equipment		(11,106)	(7,376)
Proceeds from sale of property, plant and equipment		-	26,261
Net cash used in investing activities		(29,248)	(24,039)
<b>Cash flows from financing activities</b>			
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 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
<b>Cash and cash equivalents at the end of the financial year</b>	8	136,308	14,671

The consolidated entity has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prefaced using AASB 17 and related interpretations.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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 16 Leases

AASB 16 Leases was issued in January 2016 and supersedes AASB 117 *Leases*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for the leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use (ROU) asset.

The consolidated entity has applied AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application.

The consolidated entity also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial recognition
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight in determining the lease term where the contract options to extend or terminate the lease

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the consolidated entity has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'Other expenses' in the profit and loss.

### Financial impact of initial recognition of AASB 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 4.00%.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019, as follows:

	\$
Operating lease commitments disclosed as at 30 June 2019	186,500
Effect of discounting the above amounts	(13,734)
Lease liabilities recognised at 1 July 2019	172,766

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 consolidated 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 recorded a net loss for the year ended 30 June 2020 of \$2,353,300 (30 June 2019: \$192,497), and operating cash outflows of \$1,134,578 (30 June 2019 cash inflows: \$34,909) and as at 30 June 2020 the consolidated entity had a net liability position of \$2,111,100 (30 June 2019 net assets: \$137,611).

In assessing the consolidated entity as a going concern, the directors have considered the following:

- 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);
- on 31 August 2020, the company raised \$6,000,000 by successfully completing an Initial Public Offering ('IPO') on the Australian Securities Exchange ('ASX');
- the consolidated entity incurred significant one-off capital raising costs and finance costs in relation to the convertible notes and the IPO; and
- the convertible notes automatically convert to ordinary shares upon completion of the IPO which, along with the proceeds raised net of transaction costs, will significantly improve the net asset position of the consolidated entity.

Based on these factors, it is the view of the directors that the consolidated entity is sufficiently capitalised to continue as a going concern. The directors acknowledge that this assessment incorporates a number of assumptions and judgements and have concluded that the range of possible outcomes considered in arriving at this support the consolidated entity's ability to continue as a going concern as at the date of this report.

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 financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 2020 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.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Principles of consolidation (continued)

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 had 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.

### Operating segment

The consolidated entity operates one segment, being the provision of goods to customers in the food and beverage industry operating within retail, food service, food manufacturing and quick service restaurants. The segment details are therefore fully reflected in the body of the financial report.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period they were incurred.

### 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.

### 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.

#### Share-based payments

Equity settled share-based payments are provided to non-executive directors.

Equity-settled transactions are awards of options over shares, that are provided to non-executive directors in exchange for the rendering of services.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the non-executive director to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

### 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a current liability on an amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The corresponding interest on convertible notes is expensed to profit or loss.

Any embedded derivatives are separated from the host contract and recorded separately in the statement of financial position at fair value.

### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### 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.

### Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Forbidden Foods Limited by the weighted average number of ordinary shares outstanding during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Earnings per share (continued)

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### 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 recognised 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).

### Financial assets

All recognised 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 recognised in profit or loss. Gain or loss on derecognition is recognised in the statement of profit or loss.

#### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses (ECL) on 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.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities

The consolidated entity measures all financial liabilities initially at fair value less transaction costs, subsequently all financial liabilities, excluding derivative financial instruments, are measured at amortised cost using the effective interest rate method. The consolidated entity measures derivative financial instruments at fair value through profit and loss.

The financial liabilities of the consolidated entity comprise trade payables, factoring arrangements, borrowings and convertible notes.

### 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 2020.

## 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### 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

	2020	2019
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	4,119,947	3,429,344
	4,119,947	3,429,344

### Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	2020	2019
	\$	\$
<i>Geographical regions</i>		
Australia	3,926,538	3,294,887
New Zealand	193,409	134,457
	4,119,947	3,429,344

## NOTE 5. OTHER INCOME

	2020	2019
	\$	\$
Gain on disposal of property, plant and equipment	-	6,690
Cash flow boost payment	50,000	-
Rental income	18,447	-
	68,447	6,690



# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 6. EXPENSES

	2020	2019
	\$	\$
Loss before income tax includes the following specific items:		
<i>Employee benefits expense</i>		
Share-based payments	104,068	-
Non-executive directors fees	42,618	-
Salaries and wages	534,199	345,261
Superannuation	55,060	32,726
Other employee related expenses	59,645	31,677
	795,590	409,664
<i>Depreciation and amortisation expense</i>		
Depreciation of right-of-use assets	105,480	-
Depreciation of plant and equipment	5,942	8,502
Amortisation of intangible assets	11,403	2,429
	122,825	10,931
<i>Finance costs</i>		
Cost of issuing convertible notes	196,086	-
Debtor finance fees	57,188	52,260
Interest on convertible notes	103,653	-
Interest on lease liability	2,645	-
Listing costs	144,566	-
Trade finance fees	55,910	68,839
Unwinding of discount on convertible notes	704,345	-
Other interest	48	-
	1,264,441	121,099

## NOTE 7. INCOME TAX EXPENSE

	2020	2019
	\$	\$
<i>Income tax expense</i>		
Current tax	-	-
Aggregate income tax expense	-	-
<i>Reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,353,300)	(192,497)
Tax at the statutory rate of 27.5%	(647,158)	(52,937)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-allowable expenses	27,187	69,397
Tax losses and other timing differences for which no DTA is recognised	619,971	(16,460)
Income tax expense	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash on hand	946	372
Cash at bank	135,362	14,299
	136,308	14,671

## NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
Trade receivables	582,316	468,031
GST refundable	96,064	30,435
Property bond	16,034	3,534
	694,414	502,000

## NOTE 10. CURRENT ASSETS - INVENTORIES

	2020	2019
	\$	\$
Stock in transit	-	122,623
Stock on hand	1,052,265	426,868
	1,052,265	549,491

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

	2020	2019
	\$	\$
Income tax instalments refundable	4,434	4,434
	4,434	4,434

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 12. CURRENT ASSETS - OTHER

	2020	2019
	\$	\$
Prepaid expenses	281,791	13,256
Other	176	4,158
	281,967	17,414

The prepaid expenses includes amounts incurred by the consolidated entity directly in relation to the initial public offering (IPO) which will net against equity on issuance of the shares by the Company.

## NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	\$	\$
Plant and equipment - at cost	32,444	21,338
Less: Accumulated depreciation	(16,857)	(10,915)
	15,587	10,423

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
	\$
Balance at 1 July 2018	31,119
Additions	7,376
Disposals	(19,570)
Depreciation expense	(8,502)
Balance at 30 June 2019	10,423
Balance at 1 July 2019	10,423
Additions	11,106
Disposals	-
Depreciation expense	(5,942)
Balance at 30 June 2020	15,587

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 14. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	2020	2019
	\$	\$
Trademarks - at cost	52,809	34,667
Less: Accumulated amortisation	(12,205)	(4,003)
	40,604	30,664
Website - at cost	16,000	16,000
Less: Accumulated amortisation	(3,467)	(267)
	12,533	15,733
	53,137	46,397

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 2018	5,903	-	5,903
Additions	25,924	16,000	42,924
Amortisation expense	(2,163)	(267)	(2,430)
Balance at 30 June 2019	30,664	15,733	46,397
Balance at 1 July 2019	30,664	15,733	46,397
Additions	18,142	-	18,142
Amortisation expense	(8,202)	(3,200)	(11,402)
Balance at 30 June 2020	40,604	12,533	53,137

## NOTE 15. NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

	2020	2019
	\$	\$
Right-of-use assets	31,656	-
	31,656	-

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 - refer to reconciliation in note 2	172,766
Additions	73,645
Derecognition of option on lease	(109,275)
Depreciation expense	(105,480)
As at 30 June 2020	31,656

The consolidated entity has leases for the main office, factory and a van. The remaining term of each lease is less than one year, with in some cases, options to extend.

The main office had an option to extend which was initially expected to be exercised. Subsequent to the initial assessment and with the impacts of COVID-19, the directors have assessed this option will no longer be exercised.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Trade payables	864,677	303,453
Accrued expenses	36,019	75,000
Factoring account	390,565	296,356
PAYG withholding	34,153	21,113
Other payables	99,605	102,830
	1,425,019	798,752

Refer to note 25 for further information on financial instruments.

## NOTE 17. CURRENT LIABILITIES – BORROWINGS

	2020	2019
	\$	\$
Borrowings	–	152,352
Convertible notes	1,906,434	–
	1,906,434	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 25.

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

### Convertible notes

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

Simple, non-compounding interest accrues on the convertible notes at a rate of 10% per annum.

On completion of the IPO, the convertible notes (together with accrued interest) will automatically convert into ordinary shares at an effective conversion price of \$0.14, equivalent to 70% of the IPO price. The discount on conversion is considered 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 18.

Refer to note 25 for further information on financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 18. CURRENT LIABILITIES - DERIVATIVE FINANCIAL INSTRUMENT

	2020	2019
	\$	\$
Derivative financial instrument	901,564	-
	901,564	-

The derivative financial instrument relates to the embedded derivative contained within the convertible note agreements and was determined by calculating the difference between the expected IPO price and the conversion price. The conversion price represents the fair value of the embedded derivative. The conversion price has been fixed at 70% of the IPO price.

## NOTE 19. CURRENT LIABILITIES - EMPLOYEE BENEFITS

	2020	2019
	\$	\$
Employee benefits	100,675	40,159
	100,675	40,159

### 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:

	2020	2019
	\$	\$
Employee benefits obligation expected to be settled after 12 months	10,068	4,016



# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 20. CURRENT AND NON-CURRENT LIABILITIES - LEASE LIABILITIES

### Lease liabilities

	2020	2019
	\$	\$
<i>Current</i>		
Lease liabilities	32,091	-
<i>Non-current</i>		
Lease liabilities	-	-
	32,091	-

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

	\$
As at 1 July 2019 – refer to reconciliation in note 2	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	32,091

Refer to note 25 for further information on financial instruments.

## NOTE 21. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

	2020	2019
	\$	\$
Employee benefits	15,085	15,956
	15,085	15,956

## NOTE 22. EQUITY - ISSUED CAPITAL

	2020	2019
	\$	\$
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 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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 22. EQUITY - ISSUED CAPITAL (continued)

### 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 one vote.

### 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.

### Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets to reduce debt.

## NOTE 23. EQUITY - 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:

Consolidated	Foreign currency	Share based payments	Total
	\$	\$	\$
Balance at 30 June 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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 24. EQUITY - RETAINED LOSSES

	2020	2019
	\$	\$
Retained profits at the beginning of the financial year	(448,098)	(255,601)
Loss after income tax expense for the year	(2,353,300)	(192,497)
Retained losses at the end of the year	(2,801,398)	(448,098)

## NOTE 25. 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 consolidated 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 25. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk (continued)

#### Financing arrangements

Unused borrowing facilities at the reporting date:

Australian Dollars	2020	2019
	\$ AUD	\$ AUD
Bank overdraft	100,000	100,000
Credit cards	11,060	10,198
Debtor factoring facilities	125,225	203,644
Revolving facility	300,000	300,000
	536,285	613,842

  

New Zealand Dollars	2020	2019
	\$ NZD	\$ NZD
Bank overdraft	10,000	10,000
	10,000	10,000

  

United States Dollars	2020	2019
	\$ USD	\$ USD
Trade finance facilities	165,471	250,000
	165,471	250,000

#### Remaining contractual maturities

All non-derivative and derivative financial instruments have remaining contractual maturities which settle within 1 year or less. Lease liabilities and convertible notes payable have an average interest rates of 4% and 10% respectively (30 June 2019: nil and nil). All amounts for 2020 & 2019 are equal to their carrying value per the statement of financial position.

## NOTE 26. KEY MANAGEMENT PERSONNEL DISCLOSURES

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2020	2019
	\$	\$
Short-term employee benefits	256,748	180,808
Post-employment benefits	22,268	15,616
Long-term benefits	6,245	2,193
Share-based payments	104,068	-
	389,329	198,617

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 27. REMUNERATION OF AUDITORS

	2020	2019
	\$	\$
Audit services – PKF Melbourne	25,000	25,000
Taxation and other services – PKF Melbourne	74,000	22,016
	99,000	47,016

## NOTE 28. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

## NOTE 29. RELATED PARTY TRANSACTIONS

### Parent entity

Forbidden Foods Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 31.

### Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

	2020	2019
	\$	\$
Payment for social media/photography services <i>An Architect Photographed My Undies (Director-related business of Jarrod Milani)</i>	16,716	20,051
Payment for graphic design services <i>Tess Milani (Director-related business of Jarrod Milani)</i>	–	5,200
	16,716	25,251

### Receivable from and payable to related parties

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

### Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans to/from related parties:

	2020	2019
	\$	\$
Loan from Milani Family Investments Pty Ltd <i>(Director-related entity of Jarrod Milani)</i>	–	67,208
Loan from MKB Family Investments Pty Ltd <i>(Director-related entity of Marcus Brown)</i>	–	67,208
	–	134,416

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 29. RELATED PARTY TRANSACTIONS (continued)

### 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

	2020	2019
	\$	\$
Loss after income tax	(1,299,384)	-
Total comprehensive loss	(1,299,384)	-

### Statement of financial position

	2020	2019
	\$	\$
Total current assets	264,521	4,570
Total assets	2,237,864	777,534
Total current liabilities	2,807,998	152,352
Total liabilities	2,807,998	152,352
Total equity	(570,134)	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	
		2020	2019
		%	%
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%

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 32. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	2020	2019
	\$	\$
Loss after income tax expense for the year	(2,353,300)	(192,497)
Adjustments for:		
Depreciation and amortisation expenses	17,345	10,931
Gain on disposal of property, plant and equipment	-	(6,690)
Share-based payments	104,068	-
Leases	108,125	-
Finance costs	1,261,797	121,099
Foreign exchange differences	(1,228)	(715)
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(345,353)	8,994
(Increase) decrease in inventories	(502,774)	280,816
(Increase) decrease in other assets	(264,553)	(14,430)
Increase (decrease) in payables	781,650	(201,165)
Increase (decrease) in employee benefits	59,645	(8,483)
Increase (decrease) in other liabilities	-	37,049
Net cash (used in)/from operating activities	(1,134,578)	34,909

## NOTE 33. EVENTS AFTER THE REPORTING PERIOD

Since 30 June 2020, the following events have occurred:

### 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.

### Initial Public Offering

On 31 August 2020, the company commenced trading as a listed company on the Australian Securities Exchange (ASX) having completed an Initial Public Offering which raised \$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.

### 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 consolidated entity's supply chain for raw materials and the cost of acquiring raw materials due to fluctuations in foreign exchange rates. The consolidated entity's 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.

The impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. This situation is developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine and any economic stimulus that may be provided.

### CFO Appointment

Sam Fraser was appointed as Chief Financial Officer and will commence in that role on 1 October 2020.

No other matters or circumstances have arisen since 30 June 2020 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.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 34. 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
<i>Adjustments for calculation of diluted earnings per share:</i>		
Dilutive potential ordinary shares	48,552,369	-
Options over ordinary shares	5,500,000	-
Share consolidation	(13,551,370)	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	57,925,752	170
	2020	2019
	CENTS	CENTS
Basic earnings per share	(13.51)	(113,233.53)
Diluted earnings per share	(4.06)	(113,233.53)

## NOTE 35. 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 one ordinary share upon satisfaction of applicable conditions and payment of the applicable exercise price. The exercise price per option is \$0.30.

### (a) Options granted during the period

	2020	2020	2019	2019
	Number of options	Average exercise price	Number of options	Average exercise price
		\$		\$
Opening balance	-	-	-	-
Granted during the year	1,500,000	0.30	-	-
Exercised during the year	-	-	-	-
Forfeited/expired during the year	-	-	-	-
Closing balance	1,500,000	0.30	-	-

### (b) Fair value of options granted

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free rate	Volatility	Fair value at grant
23/1/20	31/8/23	\$0.20	\$0.30	0.84%	88.20%	140,721



# DIRECTORS' DECLARATION

In the opinion of the directors:

(a) the financial statements and notes set out on pages 15 to 42 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable, and

(c) Note 2 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Mark Hardgrave  
Chair

Melbourne  
30 September 2020

# INDEPENDENT AUDITOR'S REPORT

PKF Melbourne



## Independent Auditor's Report to the Members of Forbidden Foods Ltd

### Report on the Audit of the Financial Report

#### **Our Opinion**

We have audited the accompanying financial report of Forbidden Foods Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of Forbidden Foods Ltd 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 2020 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

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

#### **Independence**

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* (including Independence Standards) (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.

#### **Emphasis of Matter**

We draw attention to Note 2 of the financial report which describes the company's successful listing on the Australian Stock Exchange on 31 August 2020. The funds raised by the IPO are being used by the Directors to reinvest in the business and its operations and form a key part of the Directors' going concern assessment.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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# INDEPENDENT AUDITOR'S REPORT

PKF Melbourne



Matter and Significance	How our audit addressed the key audit matter
<p><b>Inventory Valuation and Existence</b></p> <p>As at 30 June 2020, the carrying value of inventory was \$1,052,265 (30 June 2019: \$549,491), as disclosed in Note 10 of the financial report.</p> <p>This is a Key Audit Matter because:</p> <ul style="list-style-type: none"> <li>• Inventory is the most significant of the Group's assets;</li> <li>• Judgement is required in estimating future selling prices used in valuating goods at the lower of cost and net realisable value;</li> <li>• Providing for quality or obsolescence issues required assumptions on the potential future use of inventory items;</li> <li>• As a normal part of the Group's operation, inventory is transferred between group entities, which requires a material consolidation adjustment to eliminated unrealised intercompany profits at year end.</li> </ul>	<p>Our audit procedures included, but were not limited to, the following:</p> <p>To test the valuation of inventory we:</p> <ul style="list-style-type: none"> <li>• Evaluated the methods used by Management to determine the valuation of inventory, ensuring in line with the Group's accounting policy;</li> <li>• Tested the accuracy of costing for a sample of inventory items by tracing to supporting documentation;</li> <li>• Performed net realisable value testing (NRV) to ensure inventory was correctly recorded at the lower of cost and NRV in line with AASB 2 <i>Inventories</i>;</li> <li>• Reviewed the Group's processes for identifying, and subsequently accounting for, quality or obsolescence matters and assessed the appropriateness of the provisions raised;</li> </ul> <p>To test the existence of inventory we:</p> <ul style="list-style-type: none"> <li>• Attended inventory counts at significant locations, reperforming a count of a sample of items to ensure accurate;</li> <li>• Performed cut off procedures to ensure inventories have been recorded in the correct accounting period.</li> </ul>
<p><b>Classification and valuation of convertible notes</b></p> <p>As at 30 June 2020, the Group has recorded balances for convertible notes of \$1,906,434 (30 June 2019: \$ Nil) and a derivative liability of \$901,564 (30 June 2019: \$Nil), as described in Note 17 and 18 of the financial report.</p> <p>The valuation and classification of convertible notes as debt or equity is dependent on the requisite conditions as stated in the underlying agreements. The convertible notes have been classified as debt due to their characteristics.</p> <p>The conversion features of the notes are accounted for as a derivative financial liability at fair value through the consolidated statement of profit or loss.</p> <p>Significant judgement is required in determining the appropriate accounting treatment of the loan notes. Significant judgement is also required to determine the value of the conversion features and related balances.</p>	<p>Our procedures included, but were not limited to, assessing and challenging the following:</p> <ul style="list-style-type: none"> <li>• the terms and conditions of the convertible note agreement and the requisite conditions to be met for conversion;</li> <li>• the adopted accounting treatments applied including the valuation of the embedded derivative instrument and the conversion elements of the notes;</li> <li>• the appropriateness of the valuation methods adopted, the inputs used in the valuations and the resulting valuation amounts adopted by Management; and</li> <li>• the appropriateness of related disclosures in the financial statements.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

PKF Melbourne



## **Other Information**

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the financial report and the auditor's report. The Directors are responsible for other information in the annual report.

The other information we obtained prior to the date of this auditor's report was the director's report. The remaining other information is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial report does not cover the other information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this other information in the financial report and based on the work we have performed on the other information that we obtained prior the date of this auditor's report we have nothing to report.

## **Directors' Responsibilities 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 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 to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

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 an 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, individually 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 other related disclosures made by the Directors.

# INDEPENDENT AUDITOR'S REPORT

PKF Melbourne



- 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 or 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. 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### ***Opinion***

We have audited the remuneration report included in the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Forbidden Foods Ltd, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### ***Responsibilities***

The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

Melbourne, 30 September 2020

Kenneth Weldin

Partner

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 24 September 2020.

## A DISTRIBUTION OF EQUITY SECURITIES

Analysis numbers of ordinary share holders by size of holding:

Holding Ranges	Holders	Total Units	% Issued Share Capital
Above 0 up to and including 1,000	19	11,617	0.02%
Above 1,000 up to and including 5,000	1,022	2,553,154	3.40%
Above 5,000 up to and including 10,000	442	3,821,166	5.09%
Above 10,000 up to and including 100,000	568	18,900,798	25.20%
Above 100,000	90	49,714,264	66.28%
<b>Totals</b>	<b>2,141</b>	<b>75,000,999</b>	<b>100.00%</b>

## B EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The consolidated entity's twenty largest equity securityholders of quoted equity securities are listed below:

Holder Name	Holding	% IC
MILANI FAMILY INVESTMENTS PTY LTD <MILANI FAMILY A/C>	9,334,811	12.45%
MKB FAMILY INVESTMENTS PTY LTD <MKB FAMILY A/C>	9,334,811	12.45%
DIGGING LION PTY LTD <ADAM & VICTORIA SOFFER A/C>	2,489,283	3.32%
TR NOMINEES PTY LTD	1,653,039	2.20%
TALMALMO INVESTMENTS PTY LTD	1,505,186	2.01%
ALLADICE PTY LTD <HARRY EDWARD YOUNGMAN SF A/C>	1,466,962	1.96%
MADAM SUAT CHIN KOH	1,375,890	1.83%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,324,881	1.77%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,293,097	1.72%
TIVERTON ROTHWELL AGRICULTURE PTY LTD	1,180,801	1.57%
HIT ON TWENTY PTY LTD	1,173,779	1.57%
MR ZHONGMING LIN	1,125,000	1.50%
N SHARP SUPERANNUATION PTY LTD <N SHARP SUPER FUND A/C>	1,120,177	1.49%
MUTUAL TRUST PTY LTD	877,593	1.17%
BORRMAN HOLDINGS PTY LTD <THE BROEREN FAMILY A/C>	835,000	1.11%
IGNITION CAPITAL PTY LTD <THE IGNITION A/C>	557,192	0.74%
SANLAM PRIVATE WEALTH PTY LTD <WESTBOURNE LONG SHORT A/C>	557,192	0.74%
MR KONGSAK BOONKERD	465,000	0.62%
SKYLINE CAPITAL PTY LTD <ADAM NEWTON FAMILY A/C>	437,192	0.58%
BMZ CAPITAL PTY LTD	391,260	0.52%
D J MARWOOD PTY LTD <D J MARWOOD SUPER FUND A/C>	382,192	0.51%
HARDGRAVE SUPERANNUATION PTY LTD <HARDGRAVE SUPER FUND A/C>	382,192	0.51%
BRIZA TRADING PTY LTD	375,000	0.50%
<b>Total</b>	<b>39,637,530</b>	<b>52.85%</b>

# SHAREHOLDER INFORMATION

## B EQUITY SECURITY HOLDERS (continued)

### Substantial holders

The consolidated entity's substantial equity securities holders of quoted equity securities are listed below:

Holder Name	Holding Balance	% IC
MILANI FAMILY INVESTMENTS PTY LTD <MILANI FAMILY A/C>	9,334,811	12.45%
MKB FAMILY INVESTMENTS PTY LTD <MKB FAMILY A/C>	9,334,811	12.45%

## C UNQUOTED EQUITY SECURITIES

	Number on issue	Number of holders
Options over ordinary shares issued	5,500,000	10

# CORPORATE DIRECTORY

## PRINCIPAL PLACE OF BUSINESS

13/277-289 Middleborough Road  
Box Hill South VIC 3128

## DIRECTORS:

Mark Hardgrave (Independent, Non-Executive Chair)  
Colleen Lockwood (Independent, Non-Executive Director)  
Marcus Brown (CEO, Executive Director)  
Jarrod Milani (COO, Executive Director)

## COMPANY SECRETARY

Adam Soffer

## AUDITOR

### PKF Melbourne

Level 12, 440 Collins Street  
Melbourne VIC 3000

## REGISTRY

### Automic Pty Ltd

Level 5, 126 Phillip Street  
Sydney NSW 2000

Telephone: 1300 288 664

## INVESTOR INQUIRIES AND CORRESPONDENCE

### Forbidden Foods Limited

PO Box 313,  
Ormond VIC 3204

Telephone: 1300 288 664

Website: [www.forbiddenfoodsgroup.com.au](http://www.forbiddenfoodsgroup.com.au)

Email: [info@forbiddenfoods.com.au](mailto:info@forbiddenfoods.com.au)

## SECURITIES EXCHANGE LISTING

Forbidden Foods Limited securities are listed  
on the Australian Securities Exchange (ASX)









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