

Forbidden Foods Limited

Appendix 4E – Preliminary final report

Lodged with the ASX under Listing Rule 4.3A

1. Company details

Name of entity: Forbidden Foods Limited
 ABN: 82 616 507 334
 Reporting period: For the year ended 30 June 2021
 Previous period: For the year ended 30 June 2020

2. Results for announcement to the market

Year ended 30 June	Movement	%	\$
Revenue from ordinary activities	Up	2.1% to	4,206,387
Loss for the period attributable to the owners of Forbidden Foods Limited	Up	46.9% to	(3,455,920)
Total comprehensive loss for the period attributable to the owners of Forbidden Foods Limited	Up	46.8% to	(3,454,590)

Comments

Despite restrictions and lockdowns imposed throughout the year continuing to impact foodservice revenue in Australia and New Zealand, the consolidated entity has continued to strengthen and grow its business by increasing the accessibility to our brands both in-store and online, resulting in the consolidated entity reporting consecutive quarter-on-quarter revenue growth since the IPO.

During the year the consolidated entity secured key strategic ranging opportunities throughout Australia including FoodWorks, Baby Bunting and Pharmacy Alliance stores further expanding the retail offering of our brands. The consolidated entity also achieved significant advancements in its global e-commerce offering with the completion of new websites for both FUNCH® and Sensory Mill®, focussed on improving cart conversion rates and providing backend infrastructure for a large-scale global e-commerce offering, with revenue from e-commerce continuing to grow and providing the consolidated entity with a steady stream of high margin revenue.

The consolidated entity achieved significant progress internationally penetrating key markets throughout the China and South-East Asia region. A flagship Tmall store was launched for FUNCH® allowing the brand to sell products directly to consumers in China which aided building awareness and credibility of the brand in the region, a major milestone in the consolidated entity's long-term growth strategy in Asia. Since the launch on Tmall, the consolidated entity has executed distribution agreements with partners in Vietnam and the Philippines and a cross-border e-commerce agreement in China, significantly diversifying the consolidated entity's geographical revenue streams and exposing the brands to immense addressable markets.

The loss for the consolidated entity after providing for income tax amounted to \$3,455,920 (2020: \$2,353,300), including \$478,918 of one-off costs in relation to the company's successful IPO in August 2020 whereby the consolidated entity raised \$6,000,000. The consolidated entity is supported by a strong balance sheet with net assets at 30 June 2021 of \$3,057,172 (30 June 2020: net liabilities of \$2,111,100), including a cash balance of \$1,149,060 (30 June 2020: \$136,308) and inventories of \$1,933,888 (30 June 2020: \$1,052,265).

3. Net tangible assets

	2021 Cents	2020 Cents
Net tangible asset backing per share	3.33	(5.49)

Comparatives have not been restated for the changes in issued capital that occurred during the year (see note 13 to the preliminary financial report).

4. Loss per share

	2021 Cents	2020 Cents
Basic loss per share	(5.08)	(13.51)
Diluted loss per share	(5.08)	(13.51)

Comparatives have not been restated for the changes in issued capital that occurred during the year (see note 13 to the preliminary financial report).

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

The consolidated entity completed an intragroup restructure during the period, which resulted in the transfer of the business operated by Radnor Unit Trust to Forbidden Foods (Australia) Pty Ltd. Radnor Unit Trust was subsequently vested on 30 June 2021.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

10. Audit qualification or review

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

11. Attachments

The preliminary financial report of Forbidden Foods Limited for the year ended 30 June 2021 is attached.

12. Signed

On behalf of the directors



Mark Hardgrave
Director

31 August 2021
Melbourne

Forbidden Foods Limited

ACN: 616 507 334

Preliminary Financial Report – 30 June 2021

Forbidden Foods Limited

Consolidated statement of profit or loss and other comprehensive income

Year ended 30 June	Note	2021 \$	2020 \$
Revenue	2	4,206,387	4,119,947
Other income	3	165,640	68,447
Expenses			
Changes in inventories		(881,623)	(502,774)
Raw materials and consumables used		3,717,908	3,212,294
Employee benefits expense	4	1,496,900	795,590
Freight out and distribution expense		765,342	602,053
Depreciation and amortisation expense	4	138,106	122,825
Marketing and promotion costs		904,417	207,780
Occupancy costs		82,683	23,934
Corporate expenses		411,365	-
Finance costs	4	531,940	1,264,441
Other expenses		660,909	815,551
Loss before income tax expense		(3,455,920)	(2,353,300)
Income tax expense		-	-
Loss after income tax expense for the year		(3,455,920)	(2,353,300)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	14	1,330	521
Total comprehensive loss for the year		(3,454,590)	(2,352,779)
Loss for the year is attributable to:			
Owners of Forbidden Foods Limited		(3,455,920)	(2,353,300)
		(3,455,920)	(2,353,300)
Total comprehensive loss for the year is attributable to:			
Owners of Forbidden Foods Limited		(3,454,590)	(2,352,779)
		(3,454,590)	(2,352,779)
Loss per share			
Basic (cents per share)		(5.08)	(13.51)
Diluted (cents per share)		(5.08)	(13.51)

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

Forbidden Foods Limited

Consolidated statement of financial position

As at 30 June	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents		1,149,060	136,308
Trade and other receivables	5	522,361	694,414
Inventories	6	1,933,888	1,052,265
Income tax refundable		-	4,434
Other		120,596	281,967
Total current assets		3,725,905	2,169,388
Non-current assets			
Property, plant and equipment		55,104	15,587
Intangibles	7	129,789	53,137
Right-of-use assets	8	426,424	31,656
Other		10,330	-
Total non-current assets		621,647	100,380
Total assets		4,347,552	2,269,768
Liabilities			
Current liabilities			
Trade and other payables	9	705,325	1,425,019
Borrowings	10	-	1,906,434
Derivative financial instruments	11	-	901,564
Employee benefits		139,785	100,675
Lease liabilities	12	117,394	32,091
Total current liabilities		962,504	4,365,783
Non-current liabilities			
Employee benefits		1,523	15,085
Lease liabilities	12	326,353	-
Total non-current liabilities		327,876	15,085
Total liabilities		1,290,380	4,380,868
Net assets/(liabilities)		3,057,172	(2,111,100)
Equity			
Issued capital	13	8,731,675	586,451
Reserves	14	582,815	103,847
Retained losses		(6,257,318)	(2,801,398)
Total equity		3,057,172	(2,111,100)

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

Forbidden Foods Limited

Consolidated statement of changes in equity

For the year ended 30 June 2021

Consolidated	Issued capital \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2020	586,451	103,847	(2,801,398)	(2,111,100)
Loss for the period	-	-	(3,455,920)	(3,455,920)
Other comprehensive income	-	1,330	-	1,330
Total comprehensive income/(loss)	-	1,330	(3,455,920)	(3,454,590)
<i>Transactions with owners:</i>				
Contributions of equity, net of transaction costs	8,145,224	-	-	8,145,224
Share-based payments	-	477,638	-	477,638
Balance at 30 June 2021	8,731,675	582,815	(6,257,318)	3,057,172

Consolidated	Issued capital \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2019	586,451	(742)	(448,098)	137,611
Loss for the period	-	-	(2,353,300)	(2,353,300)
Other comprehensive loss	-	521	-	521
Total comprehensive loss	-	521	(2,353,300)	(2,352,779)
<i>Transactions with owners:</i>				
Share-based payments	-	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.

Forbidden Foods Limited

Consolidated statement of cash flows

Year ended 30 June	2021 \$	2020 \$
Cash flows from operating activities		
Receipts from customers	4,322,430	3,774,594
Payments to suppliers and employees	(8,196,362)	(4,977,619)
Income taxes	4,434	-
Other income	165,440	68,447
Net cash used in operating activities	(3,704,058)	(1,134,578)
Cash flows from investing activities		
Payments for intangibles	(95,248)	(18,142)
Payments for property, plant and equipment	(54,570)	(11,106)
Net cash used in investing activities	(149,818)	(29,248)
Cash flows from financing activities		
Proceeds from issue of shares	6,000,200	-
Proceeds from issue of convertible notes	-	2,000,000
Finance costs	(43,249)	(309,233)
Capital raising costs	(992,951)	(144,566)
Repayment of borrowings	-	(152,957)
Repayment of lease liabilities	(97,341)	(107,690)
Net cash from financing activities	4,866,659	1,285,554
Net increase in cash and cash equivalents	1,012,783	121,728
Cash and cash equivalents at the beginning of the financial year	136,308	14,671
Effects of exchange rate changes on cash and cash equivalents	(31)	(91)
Cash and cash equivalents at the end of the financial year	1,149,060	136,308

Forbidden Foods Limited

Notes to the preliminary financial report

Note 1. Summary of significant accounting policies

There have been no material changes to the consolidated entity's application of its significant accounting policies as presented in the consolidated entity's financial statements for the year ended 30 June 2020, and the preparation of current financial information, and the presentation of any prior period comparatives, is consistent from one reporting period to the next.

Readers of this report should refer to note 2 'Significant accounting policies' in the consolidated entity's financial statements for the year ended 30 June 2020 for details of those policies.

Note 2. Revenue

	2021 \$	2020 \$
Revenue from contracts with customers		
Sale of goods	4,206,387	4,119,947
Total revenue	4,206,387	4,119,947

Disaggregation of revenue from contracts with customers is as follows:

	2021 \$	2020 \$
Geographical regions		
Australia	3,830,689	3,926,538
New Zealand	128,126	193,409
China & South-East Asia	247,572	-
Total revenue	4,206,387	4,119,947

Note 3. Other income

	2021 \$	2020 \$
Cash flow boost payment	50,000	50,000
Rent received	-	18,447
Research and development tax incentive	115,090	-
Other income	550	-
Total other income	165,640	68,447

Note 4. Expenses

	2021 \$	2020 \$
Loss before income tax includes the following specific items:		
Employee benefits expense		
Salaries and wages	1,112,551	534,199
Superannuation	115,822	55,060
Share-based payments	102,438	104,068
Non-executive director fees	103,501	42,618
Other employee related expenses	62,588	59,645
Total employee benefits expense	1,496,900	795,590
Depreciation and amortisation expense		
Depreciation of right-of-use assets	104,456	105,480
Depreciation of plant and equipment	15,054	5,942
Amortisation of intangible assets	18,596	11,403
Total depreciation and amortisation expense	138,106	122,825

Forbidden Foods Limited

Notes to the preliminary financial report

Note 4. Expenses (continued)

	2021 \$	2020 \$
Finance costs		
Cost of issuing convertible notes	-	196,086
Debtor finance fees	25,995	57,188
Interest on convertible notes	30,685	103,653
Interest on lease liabilities	9,774	2,645
Listing costs	237,861	144,566
Trade finance fees	16,120	55,910
Unwinding of discount on convertible notes	210,372	704,345
Other interest	1,133	48
Total finance costs	531,940	1,264,441

Note 5. Trade and other receivables

	2021 \$	2020 \$
Trade receivables	461,691	582,316
GST refundable	33,303	96,064
Property bond	27,367	16,034
Total trade and other receivables	522,361	694,414

Note 6. Inventories

	2021 \$	2020 \$
Stock in transit	-	-
Stock on hand	1,933,888	1,052,265
Total inventories	1,933,888	1,052,265

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 7. Intangibles

	2021 \$	2020 \$
Trademarks	62,601	40,604
Website	67,188	12,533
Total intangibles	129,789	53,137

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 2019	30,664	15,733	46,397
Additions	18,142	-	18,142
Disposals	-	-	-
Amortisation expense	(8,202)	(3,200)	(11,402)
Balance at 30 June 2020	40,604	12,533	53,137

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Notes to the preliminary financial report

Note 7. Intangibles (continued)

	Trademarks \$	Website \$	Total \$
Balance at 1 July 2020	40,604	12,533	53,137
Additions	35,398	59,850	95,248
Disposals	-	-	-
Amortisation expense	(13,401)	(5,195)	(18,596)
Balance at 30 June 2021	62,601	67,188	129,789

Note 8. Right-of-use assets

	2021 \$	2020 \$
Right-of-use assets	426,424	31,656
Total right-of-use assets	426,424	31,656

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

	\$
Balance at 1 July 2019	172,766
Additions	73,645
Derecognition of option on lease	(109,275)
Depreciation	(105,480)
Balance at 30 June 2020	31,656
Balance at 1 July 2020	31,656
Additions	499,224
Depreciation	(104,456)
Balance at 30 June 2021	426,424

The consolidated entity entered a lease for a head office during the financial year. The lease for the head office is for an initial two year period and includes an option to extend the lease for a further two years. Management expects this option to be exercised.

The lease for the warehouse ended during the financial year, with the arrangement now on a month-to-month basis. In line with the consolidated entity's accounting policy, this arrangement is classified as a short-term lease with lease payments expensed to profit or loss as incurred.

Other than as mentioned above, all other leases which carried over from the previous financial year have ended during the current financial year and the underlying assets have been returned.

Note 9. Trade and other payables

	2021 \$	2020 \$
Trade payables	497,343	864,677
Accrued expenses	52,326	36,019
Accrued variable compensation	44,743	-
Factoring account	-	390,565
PAYG withholding	27,152	34,153
Payroll tax payable	29,179	-
Superannuation payable	29,660	-
Other payables	24,922	99,605
Total trade and other payables	705,325	1,425,019

Forbidden Foods Limited

Notes to the preliminary financial report

Note 10. Borrowings

	2021 \$	2020 \$
Convertible notes	-	1,906,434
Total borrowings	-	1,906,434

The consolidated entity has unused borrowing facilities which are detailed in note 24.

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 11.

Note 11. Derivative financial instrument

	2021 \$	2020 \$
Derivative financial instrument	-	901,564
Total derivative financial instrument	-	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 12. Lease liabilities

	2021 \$	2020 \$
Current Lease liabilities	117,394	32,091
Non-current Lease liabilities	326,353	-
	443,747	32,091

Reconciliations of the carrying amounts of the lease liabilities recognised and the movements during the current and previous financial year are set out below:

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

Forbidden Foods Limited

Notes to the preliminary financial report

Note 12. Lease liabilities (continued)

	\$
Balance at 1 July 2020	32,091
Additions	499,224
Accretion of interest	9,774
Payments	(97,342)
Balance at 30 June 2021	443,747

Note 13. Issued capital

	2021 \$	2020 \$
Ordinary shares – fully paid	8,731,675	586,451
Total issued capital	8,731,675	586,451

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

	Number of shares	Share capital \$
Fully paid ordinary shares		
Balance at 1 July 2019	170	586,451
Share split	39,999,830	-
Balance at 30 June 2020	40,000,000	586,451
Share consolidation	(13,551,370)	-
Conversion of convertible notes	15,245,291	3,049,055
Issue of ordinary shares – initial public offering	30,000,000	6,000,000
Issue of ordinary shares – cleansing offer	1,000	200
Issue of ordinary shares – advisers	3,306,078	661,216
Share issue costs	-	(1,565,247)
	35,000,999	8,145,224
Balance at 30 June 2021	75,000,999	8,731,675

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 a subdivision of the company's issued capital from 170 ordinary shares into 40,000,000 ordinary shares at a ratio of 1 to 235,294.1217647.

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.

Forbidden Foods Limited

Notes to the preliminary financial report

Note 14. Reserves

	2021 \$	2020 \$
Foreign currency reserve	1,109	(221)
Share-based payments reserve	581,706	104,068
Total reserves	582,815	103,847

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

	Foreign currency \$	Share-based payments \$	Total \$
Balance at 1 July 2019	(742)	-	(742)
Foreign currency translation	521	-	521
Share-based payments – non-executive directors	-	104,068	104,068
Balance at 30 June 2020	(221)	104,068	103,847
Balance at 1 July 2020	(221)	104,068	103,847
Foreign currency translation	1,330	-	1,330
Share-based payments – advisers	-	375,200	375,200
Share-based payments – non-executive directors	-	36,653	36,653
Share-based payments – key management personnel	-	65,785	65,785
Balance at 30 June 2021	1,109	581,706	582,815

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.

Note 15. Events after the reporting period

Since 30 June 2021, the following events have occurred:

Distribution agreement – Winhealth Pharma

On 2 July 2021, the consolidated entity advised it signed an exclusive cross-border e-commerce distribution agreement with Hangzhou and Hong Kong based Winhealth Pharma to distribute its FUNCH® brand on China's second largest e-commerce platform, Kaola, and China's largest online retailer, JD.com.

The exclusive agreement targets minimum sales of \$3.215 million over an initial two-year term, with Winhealth Pharma purchasing, storing, distributing, and marketing the FUNCH® range.

Distribution agreement – Moshi Wellness OPC

On 15 July 2021, the consolidated entity advised it signed an exclusive distribution agreement with Manila based Moshi Wellness OPC to sell, market and distribute the FUNCH® range and Sensory Mill® range in the Philippines.

Working capital facilities

On 27 August 2021, the consolidated entity advised it secured debt facilities totalling \$1.25m with Moneytech, significantly increased the funding available to the business. The debt facilities include a debtor finance facility of \$1,000,000 and a trade finance facility of \$250,000.

Forbidden Foods Limited

Notes to the preliminary financial report

Note 15. Events after the reporting period (continued)

Coronavirus (COVID-19)

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

No other matter or circumstance has arisen since 30 June 2021 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 periods.

Note 16. Share-based payments

(a) Options granted during the period

	Number of options	Weighted average exercise price \$
Balance at 1 July 2019	-	-
Granted during the year	1,500,000	0.30
Exercised during the year	-	-
Forfeited/expired during the year	-	-
Balance at 30 June 2020	1,500,000	0.30
Balance at 1 July 2020	1,500,000	0.30
Granted during the year	7,250,000	0.34
Exercised during the year	-	-
Forfeited/expired during the year	-	-
Balance at 30 June 2021	8,750,000	0.33

(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	Number of options granted	Share price at grant date	Exercise price \$	Risk-free rate	Volatility	Fair value at grant
31 Aug 2020	31 Aug 2023	4,000,000	0.365	0.30	0.835%	88.2%	375,200
01 Dec 2020	01 Dec 2023	3,250,000	0.290	0.40	0.124%	68.4%	338,325

End of Report