forbidden
FOODS

ACN: 616 507 334

30 August 2022

Forbidden Foods Limited

Results for Announcement to the Market

In accordance with the Listing Rules, Forbidden Foods Limited encloses for immediate release the following information:

1. Appendix 4E
2. Forbidden Foods Limited Annual Report 2022

Release of market announcement authorised by Lucy Rowe, Joint Company Secretary.

For further information, please contact:

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Appendix 4E

Preliminary financial report for the year ended 30 June 2022 as required by ASX listing rule 4.3A.

RESULTS FOR ANNOUNCEMENT TO THE MARKET (All comparisons to year ended 30 June 2021)	$	Up/down	Movement %
Revenue from ordinary activities	6,581,489	Up	56.5
Loss for the period attributable to the owners of Forbidden Foods Limited	(3,681,288)	Up	6.5
Total comprehensive loss for the period attributable to the owners of Forbidden Foods Limited	(3,676,468)	Up	6.4

	30 June 2022	30 June 2021
Net tangible assets per security	2.91	3.93

The results of foreign entities have been compiled using International Financial Reporting Standards as issued by the International Accounting Standards Board.

Additional information supporting the Appendix 4E disclosure requirements can be found in the Annual Report which contains the Directors' Report and the 30 June 2022 Financial Statements and accompanying notes.

This report is based on the consolidated financial statements for year ended 30 June 2022 which have been audited by PKF Melbourne Audit & Assurance Pty Ltd.

forbidden FOODS

ACN: 616 507 334

Feeding the world with the world's best

Annual Report 2022

An Australian food company specialising in procuring, developing and selling innovative, health focused food products globally.

We create healthy and nutritious products that engage, delight and inspire health conscious consumers, drive value for our stakeholders, and encapsulate our core values of innovation, authenticity, quality and sustainability.

forbiddenfoods.com.au

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Our Brands

Blue Dinosaur was founded out of necessity, to create something simple, natural and packed with real food energy. It's Blue Dinosaur's mission to continue to explore the edges of what healthy snacks and protein bars can be.

Launched in 2012, FUNCH® – Fun, Family, Food. These three words help FUNCH strive to provide better-for-you family food products made from clean ingredients to help young families grow healthy, strong and save time to spend more time together.

Launched in 2019, Sensory Mill® is home of plant-based foods – In 2022 Sensory Mill launched a flagship range of plant-based meats. Sensory Mill strive to inspire, innovate and educate ways to apply these foods to everyday life.

Chairman's Letter

Dear Shareholders,

It is an honour to join your Board as Chair at such an exciting time. Forbidden Foods has hit several key milestones over the past year. From this, we are now at a point where we can bolster our range of innovative products that seek to meet the changing consumer patterns of a growing younger generation.

In delivering our overall vision of offering premium products for health-conscious consumers globally, we believe FY22 was a watershed year in starting to make our vision a reality. Core focus has been on extending our portfolio through acquisitions, seeking new growth markets and focus on delivering sustainable efficiencies across manufacturing, procurement and back-office savings.

Innovative Products

The strategic acquisition of Blue Dinosaur® in October 2021 expanded our brand portfolio and met our vision of delivering innovative health products. Blue Dinosaur® is a healthy protein bar and plant-based snacking company that has no added preservatives or artificial additives in its products. Our innovation is not limited to our products. The launch of the Blue Dinosaur® Vegan Protein bars with certifiable home compostable packaging, replacing the standard foil wrapping, was the first of its kind for a major snack brand.

Further extending our innovation leadership in the category, Forbidden Foods launched its plant-based meats brand, Sensory Mill®. Sensory Mill®'s plant-based meats act as a substitute meat product for cooking, which come in chicken, pork, beef and a burger mix. The products have a longer shelf life than other plant-based meats, as they can be stored in ambient environments, such as shelves or pantries, for up to two years.

These two plant-based products of Sensory Mill® and Blue Dinosaur® are leading the company's multi-brand premium food range through their innovation and in meeting consumers increasing health-conscious needs.

Changing consumer patterns

The younger consumers are seeking brands and companies they can trust and believe- in. They want products that meet their lifestyle and values. With strong desire for healthier food alternatives and companies focused on environmental sustainability, we are well positioned to satisfy their needs.

This demand for healthier plant-based products is borne out of market statistics for plant-based foods for babies, children, and adults. The global plant-based baby food market is at circa US$214 billion as of 2020 and is growing at 5.4 per cent per annum. The general plant-based global food market in 2019 was circa US$20 billion and growing at 11 per cent per annum. This is also a growing market within Australia, with about one in ten Australians seeking more plant-based options.

Developing our core competencies

To help cater for future growth, Forbidden Foods refreshed its Board by bringing in a suite of skills that complement the overall direction of the company and management team.

In July 2022, we appointed Katie Eshuys, and Justin O'Sullivan to the Board. Katie is an experienced executive in the global food and beverage industry, specialising in scaling emerging brands and delivering global revenue growth. Justin is an experienced international FMCG business manager with a demonstrated history of developing sophisticated sales and marketing strategies, whilst building strong teams. Justin is currently Head of Operations and a member of the Australian leadership team at Red Bull Australia. I joined the Board in July, with extensive experience in Senior Executive roles with blue-chip FMCG companies internationally, as well being on the Board and running ASX listed companies.

The new Board additions compliment the strong branding and innovative approach created by Marcus and Jarrod and wider team.

The combination of these skills will deliver brand growth in our key markets through excellence in execution across sales, product development and supply chain.

I would like to thank all of the team for their hard work over the past year and support provided by the past Board.

Chairman's Letter

Continued

Product Portfolio

Forbidden Foods has built momentum over the past year on its strong product portfolio of multiple premium health-conscious brands. This suite includes Blue Dinosaur®, Sensory Mill®, and natural ingredient baby and family food company, FUNCH®.

Each of these products are suitable to a range of markets including Australia, the US and Asia and are targeted towards health-conscious adults and families in these markets. The Blue Dinosaur® and FUNCH® brands have also increased their popularity in Asia.

The FUNCH® brand, although impacted by COVID-19 lockdowns in China, continues to grow throughout Southeast Asia with the expectation that trading with China will improve as lockdowns are removed.

The US market is extremely exciting for the company with major interest in the Blue Dinosaur® brand following the launch earlier this year at the Expo West Food and Beverage show in Los Angeles. The brand secured multiple pathways into major retailers and distributors across the US for its plant-based protein bars following the trade show. Discussions with major US retailers and distributors have commenced with team actively involved in new product reviews and ranging.

Consumers are not just changing what they eat, but also how they are buying what they eat. Forbidden Foods has responded to this by developing a digital strategy for each of its brands by investing in their e-commerce stores and online marketing.

We are also seeing good momentum in Australia, particularly with Blue Dinosaur® such as securing the extension of products ranged in EG Group which services over 500 Australian petrol and convenience stores nationally. After year end, Blue Dinosaur® also secured national ranging in Coles.

Outlook

Forbidden Foods' premium health brands have laid the pathway for growth into the next fiscal year. The move away from traditional high working capital and low-margin revenue and into premium branded retail, e-commerce, and export sales, continues.

Our e-commerce channels are growing dramatically with the consumer shift to online shopping. We are harnessing the growing global plant-based snacking market, particularly in our key regions of the US, Australia, and Asia. Alongside this, we are implementing cross selling opportunities of the FUNCH® brand in testing the brand response other international markets.

Forbidden Foods has demonstrated its ability to enter new categories and markets building team's core competencies both in Australia and the US. We remain committed to our vision creating a portfolio of healthy premium brands, to fulfill the needs of the modern health-conscious consumer in FY23 and beyond.

Yours sincerely,

A.G. Rowlinson
Non-Executive Chairman

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Forbidden Foods Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

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

- Anthony Rowlinson (appointed on 1 July 2022)
- Justin O'Sullivan (appointed on 1 July 2022)
- Katie Eshuys (appointed on 1 July 2022)
- Marcus Brown
- Jarrod Milani
- Mark Hardgrave (resigned on 1 July 2022)
- Colleen Lockwood (resigned on 1 July 2022)

Principal activities

The principal continuing activities of the consolidated entity during the financial year consisted of operating a multi-brand premium food company focusing on the infant & toddler and health & wellness plant-based markets, with diverse national and international sales channels.

No significant changes in the nature of the consolidated entity's activities occurred during the year ended 30 June 2022.

Dividends

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

Review of operations

Financial Performance

The consolidated entity achieved revenue of $6,581,489 for the year ended 30 June 2022 (2021: $4,206,387), increasing 56.5% on the previous year with the inclusion of Blue Dinosaur from 1 October 2021.

In FY22, the consolidated entity continued to focus on its branded portfolio of FUNCH®, Sensory Mill® and Blue Dinosaur®, with a particular emphasis on increasing the accessibility to these brands both in-store and online resulting in the consolidated entity reporting year-on-year revenue growth. The COVID-19 pandemic continues to affect all Forbidden Foods' brands, with the foodservice channel having the most supply chain challenges and cost pressures, however the business has shown resilience and adaptability with strong performance in digital commerce and export markets.

The company completed the acquisition of Blue Dinosaur®, a healthy snacking bar company on 1 October 2021. Blue Dinosaur® is highly complementary to the company with a portfolio of high margin products, strong distribution footprints and growth inroads into larger addressable markets including the United States.

The loss for the consolidated entity after providing for income tax amounted to $3,681,288 (2021: $3,455,920).

Directors' Report

Continued

Blue Dinosaur

Blue Dinosaur® launched a new range of Vegan Protein Bars in March 2022 trialling zero waste compostable packaging. This marked a significant milestone with Blue Dinosaur leading the industry as the first major snack brand to move away from single use plastics and deploy certified home compostable packaging.

The consolidated entity continues to invest in its direct-to-consumer capabilities having moved fulfilment of its online order in house. This allowed for faster and more accurate processing resulting in over 4,500 online orders being processed by the end of the financial year.

During FY22 Blue Dinosaur® continued to expand its distribution with EG Group Australia extending the Blue Dinosaur range through 500+ fuel and convenience sites from one line to three lines. It also formed a new distribution partnership in Malaysia where the Blue Dinosaur® range will be made available in selected Cold Storage and Mercato supermarkets; which are owned and operated by Dairy Farm International, a leading pan-Asian retailer with over 10,200 outlets across Asia.

Blue Dinosaur® continues to capitalise on the opportunities in United States having showcased the range to prospective buyers at the Natural Products Expo West in Anaheim in March 2022. On the back of a successful trade show the company executed agreements with reputable sales brokers throughout the country to represent the brand, established local manufacturing and fulfilment operations and hired an experienced sales manager based in Chicago.

FUNCH

FUNCH® continues to see success online with its flagship processing over 7,000 orders during FY22, 88% growth on the prior year. This was helped by the launch of the new FUNCH Kid-Pow plant protein shakes in September 2021 and the extension of baby puree lines to include Apple & Pear Puree.

In FY21 FUNCH® made significant progress into Asia, while we had orders from key customers in FY22 there were challenges faced during the year which included a subdued Double 11 festival followed by COVID-19 impacts on distribution. China's COVID-19 zero strategy reduced movement of consumers visiting mother and baby stores and restricted distribution of product purchased online. However, despite the challenges faced the FUNCH® brand still has a significant addressable market in Asia and remains positive on working with its partners to capitalise on these opportunities.

Sensory Mill

In FY22 Sensory Mill® faced challenges in its ingredients and foodservice segment with COVID-19 impacting supply of plant-based ingredients including the cost to serve customers with increased costs in freight and distribution. The company has a focus on exiting lower margin, non-branded revenue in the business and instead focused on innovation under a new look and feel Sensory Mill®. The company anticipates foodservice revenue under Sensory Mill to continue to decline as it works to substitute it out for more profitable and strategic revenue.

Sensory Mill® launched an innovative, long shelf-life range of functional plant-based meats. The range of four SKU's made entirely from plants are soy, wheat, and gluten free. The range initially launched online will focus on local and international expansion.

Balance Sheet and Cashflows

The consolidated entity is supported by a strong balance sheet with net assets at 30 June 2022 of $6,107,892 (2021: $3,057,172), including a cash balance of $2,297,588 (2021: $1,149,060). The increase in net assets is mainly due to the acquisition of Blue Dinosaur Pty Ltd and the simultaneous capital raise.

The cash used in operating activities improved by $1,417,703 on the prior year, reducing to $2,286,355 (2021: $3,704,058). The improvement was driven by the acquisition of Blue Dinosaur Pty Ltd, the continued focus on reducing working capital restraints across the wider business, and prudent cost management.

Despite the acquisition of Blue Dinosaur Pty Ltd, the consolidated entity managed to reduce inventories by $458,856 to $1,475,032 at 30 June 2022 (2021: $1,933,888), equivalent to 22.4% of annual revenue (2021: 46.0%).

Positive outlook for continued growth

The consolidated entity continues to capitalise on opportunities for growth both locally and abroad to deliver long term value for its shareholders. The company also aspires to have a positive impact on all our stakeholders as we grow. Forbidden Foods will continue its focus on its branded retail business and will accelerate its digital commerce offering by developing high-quality, in demand products via a seamless multichannel experience.

Significant changes in the state of affairs

On 10 September 2021, the company announced it had entered into a conditional agreement to acquire 100% of the ordinary shares of Blue Dinosaur Pty Ltd for $4.0m including earnout comprising a mix of cash and shares, a capital raising of $5.50m consisting of a Placement to new and existing institutional and sophisticated investors, and a Share Purchase Plan.

The Placement was completed in two-tranches, with tranche 1 raising $3.50m resulting in the issue of 14.58m ordinary shares under Listing Rule 7.1 and 7.1A placement capacity and tranche 2 raising $2.00m resulting in the issue of 8.33m ordinary shares which received shareholder approval at the company's 2021 Annual General Meeting. The share purchase plan closed on 4 October 2021 and raised a further $316,500. Accordingly, 1.32m ordinary shares were issued on 6 October 2021 and commenced trading on the ASX on 7 October 2021.

The acquisition of Blue Dinosaur Pty Ltd was completed on 30 September 2021, with the purchase price totalling $3.79m after customary adjustments upon completion.

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.

Subsequent events

Since 30 June 2022, the following events have occurred:

On 1 July 2022, the consolidated entity advised it had renewed the company's board with the appointment of Anthony Rowlinson, Katie Eshuys and Justin O'Sullivan, effective 1 July 2022. Mark Hardgrave stood down as Chair of the company and resigned as a director, and non-executive director Colleen Lockwood also resigned as a director, effective 1 July 2022. Anthony Rowlinson succeeded Mark Hardgrave as independent, Non-Executive Chair.

On 11 July 2022, the consolidated entity advised Blue Dinosaur® secured national ranging in Coles Supermarkets. The products will be ranged from 31 October 2022, with revenue estimated to be over $300,000 within the first 12 months, subject to ongoing review.

On 22 August 2022, the consolidated entity advised that at the commencement of trading on 31 August 2022, 24,755,806 fully paid ordinary shares and 5,500,000 unlisted options (@ $0.30 expiring 36 months from listing) will be released from voluntary escrow. These escrow arrangements are in connection with the initial public offering of the company in August 2020 and these restrictions were disclosed in Forbidden Foods' pre-quotation disclosure dated 28 August 2020.

No other matter or circumstance has arisen since 30 June 2022 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.

Likely developments and expected results of operations

The future likely developments of the consolidated entity include leveraging the strength of each brand, growing the distribution points for each business, launching new products, creating further synergies across the consolidated entity, and driving brand awareness through targeted marketing campaigns.

Environmental regulation

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

Directors' Report

Continued

Information on directors and key management personnel

The directors and key management personnel at the date of this report are:

Name and Position	Experience and Qualifications
Anthony Rowlinson Independent Non-Executive Chair *Senior Executive Program (London Business School), MAP, Grad Dip (Marketing)*	Anthony was appointed as a director in July 2022. Anthony has extensive international experience in senior executive roles in many leading FMCG companies including Simplot, Coca Cola, International Paper and Bristol Myers in Australia, the United Kingdom, and Southern Africa. He has a strong record of effective leadership across key business functions, whilst demonstrating the ability to engage and build a strong rapport with major customers and other key stakeholders. Anthony is currently the CEO of Fenn Foods, a leading Australian plant-based foods company, and Managing Director and Founder of Invita Group, a consulting group specialising in M&A and launching Australian brands into the United States. He was previously CEO and Managing Director of The Food Revolution Group (ASX:FOD). Anthony is chair of the Remuneration and Nomination Committee and a member of the Audit, Risk and Compliance Committee. Other current directorships in listed entities: None Former directorships in the last 3 years: The Food Revolution Group (ceased 12 July 2021). Interests in shares: Nil Interests in options: Nil
Katie Eshuys Independent Non-Executive Director *B.Com*	Katie was appointed as a director in July 2022. Katie is an experienced executive in the global food and beverage industry, specialising in scaling emerging brands and delivering global revenue growth with a passion for ushering in the next wave of bold, innovative CPG products, and continuing to accelerate global expansion for high growth brands. Katie is currently the Chief Sales Officer at Los Angeles based That's it., where she has expanded the brand internationally across 7 countries, elevated the product portfolio, and has driven high revenue growth in the competitive North American market, scaling the company significantly to now be triple the size. Katie was previously the General Manager of International Markets at Halo Top Creamery, where Katie led the international expansion focussed on accelerating disruptive entry into 8 countries whilst also leading financial initiatives to ensure sustainable P&L growth. She was also previously a buyer at Coles in Australia and was also the National Strategic Sales Director for Treasury Wine Estates (ASX:TWE). Her extensive experience in the CPG industry has enabled Katie to develop and execute strategic partnerships with the world's largest retailers across multiple channels including Tesco, Walmart, Costco, Amazon, Target, Sainsbury's, and Aldi. Katie is notorious for building brands, attributed to her ability to lead across key business functions to deliver consumer led product solutions. Katie is member of the Remuneration and Nomination Committee. Other current directorships in listed entities: None Former directorships in the last 3 years: None Interests in shares: Nil Interests in options: Nil

Name and Position	Experience and Qualifications
Justin O'Sullivan Independent Non-Executive Director *B.Com*	Justin was appointed as a director in July 2022. Justin is an experienced international FMCG business manager with a demonstrated history of developing sophisticated sales and marketing strategies, whilst building strong teams. Justin is currently Head of Operations and a member of the Australian leadership team at Red Bull Australia. Justin was previously National Business Manager for Red Bull Australia for over six years, with full strategic responsibility for financial sales, supply chain, trade marketing, digital and category management of the Australian retail channel including Woolworths, Coles, Metcash, Aldi, Costco, and Amazon. He was also previously the National Business Manager at Snack Brands Australia, a manufacturer of iconic Australian snack food brands such as Thins, Kettle, Natural Chip Company, Samboy, Cheezels, CC's and French Fries overseeing sales of approximately $120 million. Justin is highly skilled in formulating strategic sales plans, customer insights, marketing plans, trade marketing, financial management, negotiation, and national/key account management with Australia's largest Retailers. Justin is chair of the Audit, Risk and Compliance Committee. Other current directorships in listed entities: None Former directorships in the last 3 years: None Interests in shares: Nil Interests in options: Nil
Marcus Brown Chief Executive Officer and Managing Director *B.Bus (International Trade)*	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 infant, toddler, health and plant-based markets, with various national and international sales channels. Marcus previously worked at AON in the corporate risk management and international captive insurance teams at AON, where he assisted multi-national companies manage risk and insurance. Marcus's experience has given him a deep understanding of the critical areas required to manage a growing business and mitigate risk, which has been instrumental in the establishment and growth of Forbidden Foods. During his time as CEO, Marcus has developed a broad network of reliable supply chain partners and is responsible for ensuring that the Company continues to meet its key strategic and growth objectives. Marcus is a member of the Remuneration and Nomination Committee. Other current directorships in listed entities: None Former directorships in the last 3 years: None Interests in shares: 9,334,811 Interests in options: 1,500,000

Directors' Report

Continued

Name and Position	Experience and Qualifications
Jarrod Milani Chief Operating Officer and Executive Director *B.Bus (Marketing), GAICD*	Jarrod co-founded the company with Marcus Brown in 2010. Prior to co-founding Forbidden Foods with Marcus Brown in 2010, Jarrod worked at Coles in various marketing-related roles including trade planning, growth projects, eCommerce, and supplier engagement. Jarrod's extensive experience in fast moving consumer goods has given him the ability to manage ongoing relationships with suppliers, customers, and manufacturers globally to help the Company meet its strategic objectives. He has played a vital role in the development of the brand proposition, strategy, and product ranges. He is a member of the Australian Institute of Company Directors. Jarrod is a member of the Audit and Risk Committee. Other current directorships in listed entities: None Former directorships in the last 3 years: None. Interests in shares: 9,427,811 Interests in options: 1,500,000
Sam Fraser Chief Financial Officer *B.Bus (Accounting and Management), CA, GAICD*	Sam joined Forbidden Foods as Chief Financial Officer in October 2020. Prior to joining the Company, Sam acted as an advisor to the Company and assisted with the Company's successful listing on the ASX. Sam is an experienced Chartered Accountant specialising in financial and management reporting, financial modelling and audit and tax compliance. Sam was previously a Manager at PKF advising a diverse range of emerging and established businesses whilst managing the financial and management reporting for several multinational listed companies. Sam is a graduate of the Australian Institute of Company Directors and holds a Bachelor of Business with majors in accounting and management. Interests in shares: 175,000 Interests in options: 250,000

Joint company secretary

On 1 March 2022, the company announced the appointment of Jade McGillivray of Automic Group to the role of Company Secretary. Adam Soffer resigned from that role effective from the same date.

On 29 June 2022, the company announced the appointment of Mrs Lucy Rowe of Automic Group to the role of Joint Company Secretary.

Meetings of directors

The number of meetings of Forbidden Foods Limited's Board of Directors and each Board committee meeting held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Board		Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Mark Hardgrave	10	10	4	4	2	2
Colleen Lockwood	10	9	4	4	2	2
Marcus Brown	10	10	*	*	2	2
Jarrod Milani	10	10	4	4	*	*

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 2022. 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 Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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, Forbidden Foods' financial performance and desired market positioning.

Directors’ Report

Continued

Non-executive director remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors’ fees and payments are reviewed annually by the Remuneration and Nomination Committee. The chairman’s fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of their own remuneration. Non-executive directors do not receive share options or other incentives.

Non-executive director fees are subject to a maximum aggregate amount approved by the company’s shareholders of $250,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

Executive remuneration consists of fixed remuneration, short-term incentives and equity-based remuneration, and remuneration such as superannuation and long service leave. Superannuation contributions are paid into the executive’s nominated superannuation fund.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

The short-term incentives (‘STI’) program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators (‘KPI’s’) being achieved. KPI’s include EBIT and revenue targets, but the Remuneration and Nomination Committee retain the discretion to award STIs as it deems appropriate.

The long-term incentives (‘LTI’) include long service leave and share-based payments. The consolidated entity did not issue any equity linked performance incentives to executives during the year ended 30 June 2022.

The Remuneration and Nomination Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

No remuneration consultants were used during the year ended 30 June 2022.

(b) Details of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The consolidated entities key management personnel are its directors and those executives who have been identified as having the greatest authority for planning, directing and controlling the activities of the consolidated entity.

The key management personnel of the consolidated entity during the year consisted of the following directors of Forbidden Foods Limited:

- Mark Hardgrave
- Colleen Lockwood
- Marcus Brown
- Jarrod Milani

Key Management Personnel:

- Sam Fraser – Chief Financial Officer

Changes since the end of the reporting period:

Anthony Rowlinson, Katie Eshuys and Justin O'Sullivan were appointed as Non-Executive Directors on 1 July 2022.

Mark Hardgrave stood down as Chair and resigned as a director, and non-executive director Colleen Lockwood also resigned as a director, effective 1 July 2022.

Anthony Rowlinson succeeded Mark Hardgrave as independent, Non-Executive Chair.

KMP remuneration for the current and previous financial year:

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees[1] $	Bonus $	Super-annuation $	Long service leave $	Equity settled shares $	Equity settled options[2] $	Total $
2022							
Mark Hardgrave	81,818	–	8,182	–	–	–	90,000
Colleen Lockwood	27,273	–	2,727	–	–	–	30,000
Marcus Brown	201,467	–	18,182	3,200	–	52,050	274,899
Jarrod Milani	192,811	–	18,182	3,200	–	52,050	266,243
Sam Fraser	140,903	27,273	15,775	267	–	8,675	192,893
	644,272	**27,273**	**63,048**	**6,667**	**-**	**112,775**	**854,035**
2021							
Mark Hardgrave	76,104	–	7,230	–	–	24,435	107,769
Colleen Lockwood	27,397	–	2,603	–	–	12,218	42,218
Marcus Brown	174,122	–	17,487	5,710	–	30,363	227,682
Jarrod Milani	171,119	–	16,576	7,093	–	30,363	225,151
Sam Fraser[3]	96,778	23,636	10,823	1,474	–	5,060	137,771
	545,520	**23,636**	**54,719**	**14,277**	**-**	**102,439**	**740,591**

1. Cash salary and fees: Includes 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.
3. Sam Fraser was appointed on 1 October 2020.

Directors' Report

Continued

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
	2022	2021	2022	2021	2022	2021
Non-executive director						
Mark Hardgrave	100%	100%	–	–	–	–
Colleen Lockwood	100%	100%	–	–	–	–
Executive director						
Marcus Brown	81%	87%	–	–	19%	13%
Jarrod Milani	80%	87%	–	–	20%	13%
Key Management Personnel						
Sam Fraser	80%	77%	16%	19%	4%	4%

Cash bonuses (STIs) are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures as described above.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2022	2021	2022	2021
Executive Directors				
Marcus Brown	–	–	100%	100%
Jarrod Milani	–	–	100%	100%
Key Management Personnel				
Sam Fraser	67%	67%	33%	33%

(c) Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	**Mark Hardgrave**
Title	Independent, non-executive chairman
Agreement commenced	23 January 2020
Term of agreement	No fixed term
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	No fixed term
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	No fixed term
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.
Termination	12 months' notice by the Executive KMP or by Forbidden Foods without cause, mutually agreed resignation, retirement or other circumstance.
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, subject to applicable law.

Directors' Report

Continued

Name	**Jarrod Milani**
Title	Chief Operating Officer and Executive Director
Agreement commenced	1 July 2020
Term of agreement	No fixed term
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.
Termination	12 months' notice by the Executive KMP or by Forbidden Foods without cause, mutually agreed resignation, retirement or other circumstance.
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, subject to applicable law.

Name	**Sam Fraser**
Title	Chief Financial Officer
Agreement commenced	1 October 2020
Term of agreement	No fixed term
Termination	4 weeks' notice by the Executive KMP or by Forbidden Foods without cause, mutually agreed resignation, retirement or other circumstance.
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, subject to applicable law.

(d) Share-based compensation

Issue of shares

During the year ended 30 June 2022, there were no issues of ordinary shares to the Directors and other Key Management Personnel as part of their remuneration.

Options

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 2022 are set out below.

	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	–	–	–	–
Colleen Lockwood	–	–	–	–
Marcus Brown	–	1,500,000	–	–
Jarrod Milani	–	1,500,000	–	–
Sam Fraser	–	250,000	–	–

Executive options terms

Grant date	1 December 2020
Grant of options	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 $0.40.
Conditions and vesting	• 50% of the options will vest on the first anniversary from the date of issue of the options; • the remaining 50% of the options will vest on the second anniversary from the date of issue of the options; and • in each case above, the options will only vest under this LTI award if the recipient is still an employee and/or a director of the Company at the time of vesting (failing which the options will lapse).
Expiry	The options expire 3 years after their grant date
Rights associated with options	The options do not attract dividends, voting rights or any capital distributions until exercised.

(e) Relationship between the remuneration policy and company performance

Remuneration of executives consists of an unrisked element (base pay) as well as short- and long-term incentives. Short-term incentives are linked to specific KPIs and are paid in cash. The short-term incentives ('STI') program is designed to align the targets of the business with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved.

Directors' Report

Continued

(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:

	Balance at 30 June 2021	Acquired	Disposals/ Other	Balance at 30 June 2022
Mark Hardgrave	382,192	31,603	–	413,795
Colleen Lockwood	76,439	–	–	76,439
Marcus Brown	9,334,881	–	–	9,334,811
Jarrod Milani	9,334,811	93,000	–	9,427,811
Sam Fraser	50,000	125,000	–	175,000

Option holding

The number of options over ordinary 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. The terms of these options are discussed in part (d) above.

	Balance at 30 June 2021	Granted during the year	Exercised	Expired, forfeited and other changes	Balance at 30 June 2022
Mark Hardgrave	1,000,000	–	–	–	1,000,000
Colleen Lockwood	500,000	–	–	–	500,000
Marcus Brown	1,500,000	–	–	–	1,500,000
Jarrod Milani	1,500,000	–	–	–	1,500,000
Sam Fraser	250,000	–	–	–	250,000

Other transactions with key management personnel and their related parties

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

This concludes the Remuneration Report, which has been audited.

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 liability 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 sum.

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 2022 are disclose in note 23 of the financial statements.

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
3,250,000	$0.40	30 November 2023

Shares issued on the exercise of options

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

Rounding of amounts

The consolidated entity is an entity of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to the 'rounding off'. Amounts in this report have been rounded to the nearest dollar in accordance with that instrument, unless otherwise stated.

Directors' Report

Continued

Auditor's independence declaration

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

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

A.G. Rowlinson
Director

30 August 2022
Melbourne

Auditor's Independence Declaration

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
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 2022, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(b) no contraventions of any applicable code of professional conduct.

PKF	**Kaitlynn Brady**
Melbourne, 30 August 2022	**Partner**

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June

	Note	2022 $	2021 $
Revenue	4	6,581,489	4,206,387
Other income	5	896,451	165,640
Expenses			
Changes in inventories		(458,856)	(881,623)
Raw materials and consumables used		4,679,978	3,717,908
Employee benefits expense	6	2,268,137	1,496,900
Freight out and distribution expense		1,148,354	765,342
Depreciation and amortisation expense	6	192,583	138,106
Marketing and promotion costs		1,504,935	904,417
Occupancy costs		106,324	82,683
Professional services		704,506	382,269
Corporate expenses		131,289	411,365
Finance costs	6	27,316	531,940
Other expenses		854,662	278,640
Loss before income tax expense		**(3,681,288)**	**(3,455,920)**
Income tax expense	7	–	–
Loss after income tax expense for the year		**(3,681,288)**	**(3,455,920)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	19	4,820	1,330
Total comprehensive loss for the year		**(3,676,468)**	**(3,454,590)**
Loss per share			
Basic (cents per share)	31	(3.84)	(5.08)
Diluted (cents per share)	31	(3.84)	(5.08)

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

Consolidated Statement of Financial Position

As at 30 June

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	8	2,297,588	1,149,060
Trade and other receivables	9	768,490	522,361
Inventories	10	1,475,032	1,933,888
Other assets	11	60,196	120,596
Total current assets		**4,601,306**	**3,725,905**
Non-current assets			
Property, plant and equipment	12	91,172	55,104
Intangible assets	13	3,109,991	129,789
Right-of-use assets	14	50,912	426,424
Other assets	11	10,831	10,330
Total non-current assets		**3,262,906**	**621,647**
Total assets		**7,864,212**	**4,347,552**
Liabilities			
Current liabilities			
Trade and other payables	15	1,365,553	705,325
Employee benefits	16	308,166	139,785
Lease liabilities	17	66,818	117,394
Total current liabilities		**1,740,537**	**962,504**
Non-current liabilities			
Employee benefits	16	15,783	1,523
Lease liabilities	17	–	326,353
Total non-current liabilities		**15,783**	**327,876**
Total liabilities		**1,756,320**	**1,290,380**
Net assets/(liabilities)		**6,107,892**	**3,057,172**
Equity			
Issued capital	18	15,346,088	8,731,675
Reserves	19	700,410	582,815
Retained losses	20	(9,938,606)	(6,257,318)
Total equity		**6,107,892**	**3,057,172**

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

Consolidated	Issued capital (Note 18) $	Reserves (Note 19) $	Retained losses (Note 20) $	Total equity $
Balance at 1 July 2021	**8,731,675**	**582,815**	**(6,257,318)**	**3,057,172**
Loss for the period	–	–	(3,681,288)	(3,681,288)
Other comprehensive income	–	4,820	–	4,820
Total comprehensive income/(loss)	**–**	**4,820**	**(3,681,288)**	**(3,676,468)**
Transactions with owners:				
Contributions of equity, net of transaction costs	5,414,413	–	–	5,414,413
Issue of shares to the vendor as part consideration for the Blue Dinosaur acquisition	1,200,000	–	–	1,200,000
Share-based payments	–	112,775	–	112,775
Balance at 30 June 2022	**15,346,088**	**700,410**	**(9,938,606)**	**6,107,892**

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)**
Transactions with owners:				
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**

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

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		6,553,556	4,322,430
Payments to suppliers and employees		(8,918,385)	(8,196,362)
Income taxes		(6,276)	4,434
Other income		84,750	165,440
Net cash used in operating activities	29	**(2,286,355)**	**(3,704,058)**
Cash flows from investing activities			
Payments for intangibles		(91,217)	(95,248)
Payments for property, plant and equipment		(59,893)	(54,570)
Payments for acquisition, net of cash acquired		(1,584,684)	–
Proceeds from disposal of property, plant and equipment		2,600	–
Other investing cashflows		(102,280)	–
Net cash used in investing activities		**(1,835,474)**	**(149,818)**
Cash flows from financing activities			
Proceeds from issue of shares		5,816,499	6,000,200
Interest received		449	–
Finance costs		(11,678)	(43,249)
Capital raising costs		(401,086)	(992,951)
Repayment of lease liabilities		(133,033)	(97,341)
Net cash from financing activities		**5,271,151**	**(4,866,659)**
Net increase in cash and cash equivalents		1,149,322	1,012,783
Cash and cash equivalents at the beginning of the financial year		1,149,060	136,308
Effects of exchange rate changes on cash and cash equivalents		(794)	(31)
Cash and cash equivalents at the end of the financial year	8	**2,297,588**	**1,149,060**

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 2022

Note 1. General information

These are the consolidated financial statements of Forbidden Foods Limited (the 'company'), comprising the company and the entities it controlled at the end of, or during the year ended 30 June 2022 (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 and throughout the notes. 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.

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').

(a) 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 2022 of $3,681,288 (2021: $3,455,920), and operating cash outflows of $2,286,355 (2021: $3,704,058).

The directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern, and that it is appropriate to adopt the going concern basis in the preparation of the financial report, after consideration of the factors noted within this report.

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

- The performance of the consolidated entity for the year ended 30 June 2022 including:
  - one-off capital raising costs in relation to the placement and share purchase plan;
  - one-off costs incurred in relation to the acquisition of Blue Dinosaur Pty Ltd;
  - non-cash items including depreciation and amortisation and share-based payments;
- At 30 June 2022 there were $1.19m in unused financing facilities available to the consolidated entity; and
- The expected performance of the consolidated entity for the twelve months from the date of this report.

As at 30 June 2022, the consolidated entity had a net asset position of $6,107,892 (2021: $3,057,172). The directors regularly monitor the consolidated entity's cash position on an ongoing basis and the consolidated entity has demonstrated a track record of raising capital and funding as and when required, including completing two capital raises totalling $11,816,699 before costs, across the years ended 30 June 2021 and 30 June 2022.

The consolidated entity has the capacity, if necessary, to defer discretionary expenditure including reducing headcount and advertising expenditure in the current cash flow forecast period to take steps to moderate the cash outflows of the business as needed. The directors acknowledge this assessment incorporates several assumptions and judgements and have concluded the range of possible outcomes considered in arriving at this view support the consolidated entity's ability to continue as a going concern as at the date of this report.

In the event the above assumptions and forecasts are not achieved as contemplated, there is a material uncertainty that the consolidated entity will be able to continue as a going concern which may require the consolidated entity to realise assets at amounts different to those recorded in the consolidated statement of financial position and settle its liabilities other than in the ordinary course of operations and make provision for other costs which may arise as a result of cessation or curtailment of normal business operations.

(b) 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.

(c) 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.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Forbidden Foods Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended. Forbidden Foods Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

Operating segments

The consolidated entity has only one operating segment, being a multi-brand premium food company focusing on the infant & toddler and health & wellness plant-based markets, with diverse national and international sales channels. This operating segment has been determined based on how the consolidated entity's management team (the chief operating decision-makers) reviews financial performance. Therefore, as the results are the same as the consolidated entity they have not been repeated.

Notes to the Financial Statements

Continued

Foreign currency translation

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

(a) 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.

(b) 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.

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.

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.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

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.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

The judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined within the financial statement notes to which they relate.

Notes to the Financial Statements

Continued

Note 4. Revenue

	2022 $	2021 $
Revenue from contracts with customers		
Sale of goods	6,581,489	4,206,387
Total revenue	**6,581,489**	**4,206,387**

Disaggregation of revenue from contracts with customers is as follows:

	2022 $	2021 $
Geographical regions		
Australia and New Zealand	6,041,002	3,970,197
China and South-East Asia	497,082	236,190
United States	43,405	–
Total revenue	**6,581,489**	**4,206,387**

Significant accounting policies relating to revenue

Revenue recognition

The consolidated entity recognised revenue as follows:

(a) 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 a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer 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.

(b) Sale of goods

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

Significant accounting judgements, estimates and assumptions

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the point of 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.

For some customers, goods are sold on an ex works basis, whereby the point of delivery is deemed to be when the consolidated entity makes the goods available at a designated location. It is deemed the consolidated entity has fulfilled its obligations at such time the consolidated entity notifies the customer the goods are available at the designated location.

Note 5. Other income

	2022 $	2021 $
Government grants and tax incentives	84,750	165,090
Profit on disposal of property, plant and equipment	2,700	–
Derecognise provision for earnout on acquisition (see note 27)	800,000	–
Other income	9,001	550
Total other income	**896,451**	**165,640**

Significant accounting policies relating to other income

Other revenue

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

Notes to the Financial Statements

Continued

Note 6. Expenses

	2022 $	2021 $
Loss before income tax includes the following specific items:		
Employee benefits expense		
Salaries and wages	1,741,560	1,112,551
Superannuation	180,230	115,822
Share-based payments	112,775	102,438
Non-executive director fees	109,091	103,501
Other employee related expenses	124,481	62,588
Total employee benefits expense	**2,268,137**	**1,496,900**
Depreciation and amortisation expense		
Depreciation of right-of-use assets	124,800	104,456
Depreciation of plant and equipment	27,202	15,054
Amortisation of intangible assets	40,581	18,596
Total depreciation and amortisation expense	**192,583**	**138,106**
Finance costs		
Debtor finance fees	5,870	25,995
Interest on convertible notes	–	30,685
Interest on lease liabilities	15,638	9,774
Listing costs	–	237,861
Trade finance fees	3,709	16,120
Unwinding of discount on convertible notes	–	210,372
Other interest	2,099	1,133
Total finance costs	**27,316**	**531,940**

Note 7. Income tax expense

	2022 $	2021 $
Income tax expense		
Current tax	–	–
Aggregate income tax expense	**–**	**–**
Reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,681,288)	(3,455,920)
Tax at the statutory rate of 25% (2021: 26%)	(920,322)	(898,539)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-allowable expenses	(73,573)	17,680
Tax losses and other timing differences for which no DTA is recognised	993,895	880,859
Income tax expense	**–**	**–**

Note 8. Cash and cash equivalents

	2022 $	2021 $
Cash on hand	1,215	946
Cash at bank	2,266,320	1,118,114
Term deposit	30,053	30,000
Total cash and cash equivalents	**2,297,588**	**1,149,060**

Significant accounting policies relating to cash and cash equivalents

Cash and cash equivalents include 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.

Notes to the Financial Statements

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Note 9. Trade and other receivables

	2022 $	2021 $
Trade receivables	706,504	461,691
GST refundable	34,619	33,303
Property bond	27,367	27,367
Total trade and other receivables	**768,490**	**522,361**

Significant accounting policies relating to 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 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 allowance for expected credit losses.

Significant accounting judgements, estimates and assumptions

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, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Note 10. Inventories

	2022 $	2021 $
Stock in transit	–	–
Stock on hand	1,475,032	1,933,888
Total inventories	**1,475,032**	**1,933,888**

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.

Significant accounting policies relating to 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 purchases 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.

Significant accounting judgements, estimates and assumptions

Provision for impairment of inventories

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

Note 11. Other assets

	2022 $	2021 $
Current		
Prepaid expenses	56,817	116,850
Other	3,379	3,746
Total other current assets	**60,196**	**120,596**
Non-current		
Bonds	10,831	10,330
Total other non-current assets	**10,831**	**10,330**

Notes to the Financial Statements

Continued

Note 12. Property, plant and equipment

	2022 $	2021 $
Plant and equipment – at cost	150,245	87,015
Less: Accumulated depreciation	(59,073)	(31,911)
Total property, plant and equipment	**91,172**	**55,104**

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 2020	15,587
Additions	54,571
Disposals	–
Depreciation	(15,054)
Balance at 30 June 2021	**55,104**
Balance at 1 July 2021	55,104
Additions	63,359
Disposals	(89)
Depreciation	(27,202)
Balance at 30 June 2022	**91,172**

Significant accounting policies relating to property, 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 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.

Significant accounting judgements, estimates and assumptions

Estimation of useful lives of property, plant and equipment assets

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

Note 13. Intangibles

	2022 $	2021 $
Goodwill	2,926,217	–
Trademarks	131,756	62,601
Website	52,018	67,188
Total intangibles	**3,109,991**	**129,789**

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

	Goodwill $	Trademarks $	Website $	Total $
Balance at 1 July 2020	–	40,604	12,533	53,137
Additions	–	35,398	59,850	95,248
Amortisation expense	–	(13,401)	(5,195)	(18,596)
Balance at 30 June 2021	**–**	**62,601**	**67,188**	**129,789**
Balance at 1 July 2021	–	62,601	67,188	129,789
Additions	2,926,217	94,567	–	3,020,784
Amortisation expense	–	(25,412)	(15,170)	(40,581)
Balance at 30 June 2022	**2,926,217**	**131,756**	**52,018**	**3,109,991**

Impairment testing of indefinite life intangible assets

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period prepared by management and extrapolated for a further 3 years using a growth rate, together with a terminal value.

As at 30 June 2022, management has assessed the carrying value of goodwill and performed an impairment test. Based on the results of the test impairment charges were not required in the current financial year. Key assumptions are those to which the recoverable amount of an asset is most sensitive. The following key assumptions were used in the discounted cash flow model:

- 10.0% pre-tax discount rate;
- 30.0% growth rate over the forecast period; and
- 2.4% terminal value growth rate.

Management have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The recoverable amount would equal its carrying amount if the key assumptions were to change as follows:

- The growth rate over the forecast period decreased by 26.9% as compared to current modelling; or
- The discount rate increased by 4.5% as compared to current modelling.

The goodwill acquired through the business combination of Blue Dinosaur Pty Ltd has been allocated to the Blue Dinosaur brand cash-generating unit.

Notes to the Financial Statements

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Significant accounting policies relating to intangibles

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. 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.

(a) Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

(b) 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.

(c) 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.

Significant accounting judgements, estimates and assumptions

Estimation of useful lives of intangible assets

The consolidated entity determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or other event. The 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.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 14. Right-of-use assets

	2022 $	2021 $
Right-of-use assets	50,912	426,424
Total right-of-use assets	**50,912**	**426,424**

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

	Right-of-use assets $
Balance at 1 July 2020	31,656
Additions	499,224
Depreciation	(104,456)
Balance at 30 June 2021	**426,424**
Balance at 1 July 2021	426,424
Additions	–
Derecognition of option on lease	(250,712)
Depreciation	(124,800)
Balance at 30 June 2022	**50,912**

The consolidated entity executed a lease for its head office during the year ended 30 June 2021. The lease for the head office was for an initial two-year period and included an option to extend the lease for a further two years. Management initially expected to exercise the option to extend the lease, however with changes to working from home arrangements, management has decided it will no longer exercise the option to extend the lease term. In accordance with the consolidated entity's accounting policy, the lease has been remeasured at 30 June 2022.

The consolidated entity continues to rent a warehouse 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.

Significant accounting policies relating to 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 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. This 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.

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 and are adjusted for any remeasurement of lease liabilities.

Notes to the Financial Statements

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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 repayments on these assets are expensed to profit or loss as incurred.

Significant accounting judgements, estimates and assumptions

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 15. Trade and other payables

	2022 $	2021 $
Trade payables	903,157	497,343
Accrued expenses	76,169	52,326
Accrued variable compensation	48,388	44,743
PAYG withholding	87,187	27,152
Payroll tax payable	(3,561)	29,179
Superannuation payable	54,672	29,660
Trade finance	163,836	–
Other payables	35,705	24,922
Total trade and other payables	**1,365,553**	**705,325**

Significant accounting policies relating to 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 60 days of recognition.

Note 16. Employee benefits

	2022 $	2021 $
Current		
Employee benefits	308,166	139,785
Non-current		
Employee benefits	15,783	1,523
Total employee benefits	**323,949**	**141,308**

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:

	2022 $	2021 $
Employee benefits obligation expected to be settled after 12 months	24,674	13,979
	24,674	**13,979**

Significant accounting policies relating to 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 not expected to be settled in full within 12 months of the reporting date is measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave not expected to be settled in full within 12 months of the reporting date is 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.

Notes to the Financial Statements

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Significant accounting judgements, estimates and assumptions

Employee benefits provision

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 17. Lease liabilities

	2022 $	2021 $
Current		
Lease liabilities	66,818	117,394
Non-current		
Lease liabilities	–	326,353
Total lease liabilities	**66,818**	**443,747**

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

	Lease liabilities $
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**
Balance at 1 July 2021	443,747
Accretion of interest	15,638
Derecognition of lease option	(259,534)
Payments	(133,033)
Balance at 30 June 2022	**66,818**

Significant accounting policies relating to 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.

Refer to note 14 for the significant accounting judgements, estimates and assumptions in relation to lease liabilities.

Note 18. Issued capital

	2022 $	2021 $
Ordinary shares – fully paid	15,346,088	8,731,675
Total issued capital	**15,346,088**	**8,731,675**

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 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)
Balance at 30 June 2021	**75,000,999**	**8,731,675**
Issue of ordinary shares – Acquisition of Blue Dinosaur Pty Ltd	4,166,667	1,200,000
Issue of ordinary shares – Placement Tranche 1	14,583,580	3,500,059
Issue of ordinary shares – Placement Tranche 2	8,333,085	1,999,940
Issue of ordinary shares – Share Purchase Plan	1,318,771	316,500
Deregistration of Forbidden Foods Property Holdings Pty Ltd	–	(1,000)
Share issue costs	–	(401,086)
Balance at 30 June 2022	**103,403,102**	**15,346,088**

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.

Significant accounting policies relating to 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.

Notes to the Financial Statements

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Note 19. Reserves

	2022 $	2021 $
Foreign currency translation reserve	5,929	1,109
Share-based payments reserve	694,481	581,706
Total reserves	**700,410**	**582,815**

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 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	65,653
Share-based payments – key management personnel	–	65,785	65,782
Balance at 30 June 2021	**1,109**	**581,706**	**582,815**
Balance at 1 July 2021	1,109	581,706	582,815
Foreign currency translation	4,820	–	4,820
Share-based payments – key management personnel	–	112,775	112,775
Balance at 30 June 2022	**5,929**	**694,481**	**700,410**

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.

Equity-settled share-based payments are provided to directors and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rending of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes 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 price 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 directors or employees 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.

Note 20. Retained losses

	2022 $	2021 $
Retained losses at the beginning of the financial year	(6,257,318)	(2,801,398)
Loss after income tax expense for the year	(3,681,288)	(3,455,920)
Total retained losses	**(9,938,606)**	**(6,257,318)**

Note 21. Financial instruments

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.

	2022 $	2021 $
Financial assets		
Cash and cash equivalents	2,297,588	1,149,060
Trade and other receivables	768,490	522,361
	3,066,078	**1,671,421**
Financial liabilities		
Trade and other payables	1,365,553	705,325
Lease liabilities	66,818	443,747
	1,432,371	**1,149,072**

Significant accounting policies relating to financial instruments

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.

Financial assets

All recognised financial assets are subsequently measured in their entirety at amortised cost.

(a) 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.

Notes to the Financial Statements

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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.

(b) 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.

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 or loss.

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

Financial risk management objectives

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks for the consolidated entity and reports to the Board on a monthly basis.

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 provision for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statement. 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 guarantee in relation to any specific receivables but management closely monitors the receivables 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 management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and finance facilities to be able to pay debts as and when they become due and payable.

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	2022	2021
Australian dollars	**AUD $**	**AUD $**
Credit cards	49,599	101,734
Debtor factoring facilities	1,045,955	–
Trade finance facilities	86,164	–
	1,181,718	**101,734**
New Zealand dollars	**NZD $**	**NZD $**
Bank overdraft	10,000	10,000
	10,000	**10,000**

Remaining contractual liabilities

All non-derivative financial instruments have remaining contractual maturities which settle within 1 year or less.

Lease liabilities have an average interest rate of 4% (30 June 2021: 4%).

All amounts for current and previous financial year are equal to their carrying value per the statement of financial position.

Notes to the Financial Statements

Continued

Note 22. Key management personnel disclosures

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

	2022 $	2021 $
Short-term employee benefits	671,545	569,156
Post-employment benefits	63,048	54,719
Long-term benefits	6,667	14,277
Share-based payments	112,775	102,439
Total compensation to key management personnel	**854,035**	**740,591**

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF Melbourne, the auditor of the company and its network firms:

	2022 $	2021 $
PKF Melbourne		
Audit or review of the financial statements	51,000	45,000
Review in relation to the acquisition of Blue Dinosaur Pty Ltd	16,500	–
Due diligence	25,000	–
Taxation services	17,550	12,069
Other services	2,425	55,519
	112,475	**112,588**
Network firms		
Taxation services	5,614	212
	5,614	**212**
	118,089	**112,800**

Note 24. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Note 25. Related party transactions

Parent entity

Forbidden Foods Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2022 $	2021 $
Payments for social media/photography services		
An Architect Photographed My Undies (Director related business of Jarrod Milani)	–	13,240
Total payments to related parties	**–**	**13,240**

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

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

Note 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	2022 $	2021 $
Profit/(loss) after income tax	128,642	(3,238,708)
Total comprehensive profit/(loss)	**128,642**	**(3,238,708)**

Statement of financial position

	2022 $	2021 $
Total current assets	1,745,534	770,142
Total assets	11,659,020	4,965,601
Total current liabilities	111,049	78,910
Total liabilities	111,049	79,263
Total equity	11,547,971	4,886,338

Significant accounting policies relating to the parent entity

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

Notes to the Financial Statements

Continued

Note 27. Business combinations

On 30 September 2021, Forbidden Foods Limited acquired 100% of the ordinary shares of Blue Dinosaur Pty Ltd ("Blue Dinosaur"), a health focused bar and snacking company which targets the active and health-conscious millennial demographic.

Details of the acquisition are as follows:

	Fair value $
Consideration transferred	
Amount settled in cash, after net debt and working capital adjustment	1,787,427
Fair value of ordinary shares issued	1,200,000
Fair value of contingent consideration	800,000
Fair value of consideration transferred	**3,787,427**
Fair values of the identifiable net assets	
Cash and cash equivalents	202,743
Trade and other receivables	170,199
Inventories	799,599
Property, plant and equipment	3,377
Intangible assets	3,350
Trade and other payables	(191,972)
Employee benefits	(117,955)
Income tax payable	(6,276)
Other liabilities	(1,855)
Net assets acquired	861,210
Provisional goodwill	2,926,217
Provisional acquisition-date fair value of the total consideration transferred	**3,787,427**

The business combination is provisionally accounted for at 30 June 2022.

(a) Consideration transferred

The acquisition was settled in cash of $1,787,427 and by issuing 4,166,667 ordinary shares in Forbidden Foods Limited.

The fair value of the ordinary shares issued was based on the five day volume weighted average price prior to the share purchase agreement date, 6 September 2021.

(b) Identifiable net assets

The fair value of trade receivables acquired as part of the business combination amounted to $170,199. The gross contractual amount for trade receivables due is $180,830, of which $10,631 is not expected to be collected.

(c) Goodwill

Goodwill of $2,926,217 was primarily related to the company's growth expectations through customer expansion.

The goodwill that arose from this business combination is not deductible for tax purposes.

(d) Contingent consideration

The share purchase agreement included a contingent consideration element by way of an earn-out structure based upon the revenue in the 12 months commencing from the acquisition completion date exceeding $3,750,000 and achieving a gross profit of no less than 25%. The earnout consideration totals $800,000 cash and is payable within 30 calendar days after the earnout revenue target is achieved and verified. At the date of the acquisition, the Board and management assessed the likelihood of achieving the relevant revenue target as more likely than not with $800,000 contingent consideration recognised (classified as current).

At 30 June 2022, management reassessed the likelihood of achievement of the earn-out target with the analysis resulting in the earnout target not been achieved. In accordance with the consolidated entity's accounting policies relating to business combinations, the subsequent change in the fair value of the contingent consideration has been recognised in profit or loss.

(e) Contribution to the consolidated entity's results

Blue Dinosaur contributed revenues of $2,078,339 to the consolidated entity from the date of the acquisition to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contribution would have been revenues of $2,635,080.

(f) Acquisition-related costs

Acquisition-related costs amounting to $102,280 have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of professional services and corporate expenses.

Significant accounting policies relating to business combinations

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Notes to the Financial Statements

Continued

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Significant accounting judgements, estimates and assumptions

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the group's accounting policies:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	2022 %	2021 %
Blue Dinosaur Pty Ltd	Australia	100.00	–
Forbidden Foods (Australia) Pty Ltd	Australia	100.00	100.00
Forbidden Foods (New Zealand) Limited	New Zealand	100.00	100.00
Forbidden Foods (USA) Inc.	United States of America	100.00	–
Forbidden Foods (US) LLC	United States of America	100.00	–
Forbidden Foods Property Holdings Pty Ltd	Australia	–	100.00

On 25 August 2021, a dormant subsidiary of the consolidated entity, Forbidden Foods Property Holdings Pty Ltd was voluntarily wound up.

On 30 September 2021, Forbidden Foods Limited acquired 100% of the ordinary shares of Blue Dinosaur Pty Ltd.

On 8 February 2022, Forbidden Foods (US) LLC was incorporated and on 29 March 2022, Forbidden Foods (USA) Inc. was incorporated.

Note 29. Reconciliation of loss after income tax to net cash used in operating activities

	2022 $	2021 $
Loss after income tax expense for the year	(3,681,288)	(3,455,920)
Adjustments for:		
Depreciation and amortisation expenses	192,583	138,106
Share-based payments	112,775	285,158
Finance costs	27,765	531,940
Foreign exchange differences	3,545	1,584
Acquisition costs	102,280	–
Derecognition of earnout on acquisition of Blue Dinosaur Pty Ltd	(800,000)	–
Net gain on disposal on non-current assets	(2,700)	–
Changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(77,209)	413,800
(Increase)/decrease in inventories	1,301,479	(870,843)
(Increase)/decrease in other assets	1,285	(102,200)
Increase/(decrease) in payables	468,445	(671,231)
Increase/(decrease) in employee benefits	64,685	25,548
Net cash used in operating activities	**(2,286,355)**	**(3,704,058)**

Note 30. Subsequent events

Since 30 June 2022, the following events have occurred:

On 1 July 2022, the consolidated entity advised it had renewed the company's board with the appointment of Anthony Rowlinson, Katie Eshuys and Justin O'Sullivan, effective 1 July 2022. Mark Hardgrave stood down as Chair of the company and resigned as a director, and non-executive director Colleen Lockwood also resigned as a director, effective 1 July 2022. Anthony Rowlinson succeeded Mark Hardgrave as independent, Non-Executive Chair.

On 11 July 2022, the consolidated entity advised Blue Dinosaur® secured national ranging in Coles Supermarkets. The products will be ranged from 31 October 2022, with revenue estimated to be over $300,000 within the first 12 months, subject to ongoing review.

On 22 August 2022, the consolidated entity advised that at the commencement of trading on 31 August 2022, 24,755,806 fully paid ordinary shares and 5,500,000 unlisted options (@ $0.30 expiring 36 months from listing) will be released from voluntary escrow. These escrow arrangements are in connection with the initial public offering of the company in August 2020 and these restrictions were disclosed in Forbidden Foods' pre-quotation disclosure dated 28 August 2020.

No other matter or circumstance has arisen since 30 June 2022 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.

Notes to the Financial Statements

Continued

Note 31. Loss per share

	2022 $	2021 $
Net loss attributable to the owners of Forbidden Foods Limited	(3,681,288)	(3,455,920)
	(3,681,288)	**(3,455,920)**

	2022 No.	2021 No.
Weighted average number of ordinary shares for calculating basic and diluted loss per share	95,811,616	68,034,517
Weighted average number of ordinary shares for calculating basic and diluted loss per share	**95,811,616**	**68,034,517**

	2022 Cents	2021 Cents
Basic loss per share	(3.84)	(5.08)
Diluted loss per share	(3.84)	(5.08)

Significant accounting policies relating to loss per share

The consolidated entity presents basic and diluted loss per share (LPS) data for its ordinary shares.

(a) Basic loss per share

Basic LPS is calculated by dividing the net loss attributable to the owners of Forbidden Foods Limited by the weighted average number of ordinary shares on issue during the period.

(b) Diluted loss per share

Diluted LPS is determined by adjusting the net loss attributable to the owners and the weighted average number of ordinary shares on issue for the effects of all potential dilution to ordinary shares. Instruments are only treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase the loss per share.

Note 32. Share-based payments

Options granted during the current and previous financial year are set out below:

	Number of options	Weighted average exercise price $
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**
Balance at 1 July 2021	8,750,000	0.33
Granted during the year	–	–
Exercised during the year	–	–
Forfeited/expired during the year	–	–
Balance at 30 June 2022	**8,750,000**	**0.33**

Significant accounting judgements, estimates and assumptions

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the directors

A.G. Rowlinson
Director

30 August 2022

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORBIDDEN FOODS LIMITED

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of Forbidden Foods Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the 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 of 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 financial report of Forbidden Foods Limited 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 2022 and of its financial performance for the year ended on that date; 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 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.

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

Material Uncertainty Relating to Going Concern

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

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 period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but 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.

Key Audit Matter – Business combinations	*How our audit addressed this matter*
As described in note 27, the Company entered into an agreement to acquire 100% of the equity of Blue Dinosaur Pty Ltd ('Blue Dinosaur') on 30 September 2021. The acquisition has been accounted for in accordance with AASB 3 *Business Combinations*. The acquisition date fair value of the total consideration transferred in respect of the acquisition amounted to \$3.787m. Significant judgements were formed by Management in valuing the acquired identifiable assets and allocation to goodwill. Based on this we have considered business combinations to be a Key Audit Matter.	Our procedures included, but were not limited to, the following: • evaluating the Group's accounting treatment against the requirements of AASB 3, key transaction agreements and our understanding of each business acquired; • assessing the methodology applied to recognise the fair value of identifiable assets and liabilities; • validating inputs of the components of the business combinations to underlying support including settlement contracts; • assessing Management's determination of the point at which control was gained of the acquiree;

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Independent Auditor's Report

Continued

Key Audit Matter – Business combinations	How our audit addressed this matter
	• assessing the calculation of the contingent consideration and its accuracy in accordance with the contractual arrangements and relevant accounting standards; • reviewing the accounting entries associated with the business combinations; and • reviewing the related financial statement disclosures for the acquisitions for consistency with the relevant financial reporting standards.

Key Audit Matter – Valuation of Goodwill	How our audit addressed this matter
As set out in note 13, the Company had goodwill of $2.93m at 30 June 2022. The accounting policy in respect of these assets is outlined in note 13. An annual impairment test for goodwill is required under AASB 136 *Impairment of Assets*. Management's testing has been performed using a discounted cash flow model (Impairment Model) to estimate the value-in-use of the Cash Generating Unit (CGU) to which the intangible assets have been allocated. The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining key assumptions, which include: • 5-year cash flow forecast; • growth rate and terminal growth factor; and • discount rate. The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangibles is an area of significant Management estimation and judgement, and a Key Audit Matter.	Our procedures included, but were not limited to, assessing and challenging: • the appropriateness of Management's determination of the CGU to which goodwill is allocated; • the reasonableness of the financial year 2023 budget approved by the Directors, comparing to current actual results, and considering trends, strategies and outlooks; • the testing of inputs used in the Impairment Model, including the approved budget; • the determination of the discount rate applied in the Impairment Model, comparing to available industry data; • the short to medium term growth rates applied in the forecast cash flow, considering historical results, business strategies and available industry data; • the arithmetic accuracy of the Impairment Model; • Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring sufficient to give rise to an impairment; and • the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 13.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and, accordingly, we do 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 and 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.

If based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events 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.

Independent Auditor's Report

Continued

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 safeguards 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 period 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

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2022, 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

PKF
Melbourne, 30 August 2022

Kaitlynn Brady

Kaitlynn Brady
Partner

Shareholder Information

The shareholder information set out below was applicable as at 15 August 2022.

A. Distribution of equity securities

Analysis of number of equitable security holders by size of holding:

Holding ranges	Number of holders	Issued share capital %
1 to 1,000	31	0.01
1,001 to 5,000	699	1.78
5,001 to 10,000	311	2.52
10,001 to 100,000	467	15.92
100,001 and over	111	79.77
Total	**1,619**	**100.00**

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Holder name	Number of securities	Issued share capital %
MILANI FAMILY INVESTMENTS PTY LTD <MILANI FAMILY A/C>	9,427,811	9.12%
MKB FAMILY INVESTMENTS PTY LTD <MKB FAMILY A/C>	9,334,811	9.03%
TUWHERA TE RANGI LTD	6,876,306	6.65%
MR MARK BUTLER & MRS LYNDA RAE BUTLER	4,990,049	4.83%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,951,123	3.82%
B F A PTY LTD	2,770,298	2.68%
DIGGING LION PTY LTD <ADAM & VICTORIA SOFFER A/C>	2,489,283	2.41%
SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	2,083,334	2.01%
MADAM SUAT CHIN KOH	1,985,137	1.92%
SUPERHERO SECURITIES LIMITED <CLIENT A/C>	1,770,532	1.71%
TR NOMINEES PTY LTD	1,653,039	1.60%
TALMALMO INVESTMENTS PTY LTD	1,505,186	1.46%
CITICORP NOMINEES PTY LIMITED	1,371,784	1.33%
TINDALLS TRUSTEE LIMITED <DUNN FAMILY A/C>	1,187,799	1.15%
HIT ON TWENTY PTY LTD	1,173,779	1.14%
FIORI PTY LTD	1,150,000	1.11%
INTERDALE PTY LTD <MAPLE SUPER A/C>	1,107,143	1.07%
IGNITION CAPITAL PTY LTD <THE IGNITION A/C>	1,084,514	1.05%
KEMBLA NO 20 PTY LTD <CAA A/C>	1,000,000	0.97%
MR ZHONGMING LIN	1,000,000	0.97%
Total	57,911,928	56.0%

Shareholder Information

Continued

Substantial holders

The names of substantial security holders of quoted equity securities are listed below:

Holder name	Number of securities	Issued share capital %
MILANI FAMILY INVESTMENTS PTY LTD <MILANI FAMILY A/C	9,427,811	9.12%
MKB FAMILY INVESTMENTS PTY LTD <MKB FAMILY A/C>	9,334,811	9.03%
TUWHERA TE RANGI LTD	6,876,306	6.65%
Total	**25,638,928**	**24.80%**

C. Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	8,750,000	13
Total	**8,750,000**	**13**

Corporate Directory

Principal place of business

16/663 Victoria Street
Abbotsford VIC 3067

Directors

Anthony Rowlinson (Independent Non-Executive Chair)

Justin O'Sullivan (Non-Executive Director)

Katie Eshuys (Non-Executive Director)

Marcus Brown (CEO and Managing Director)

Jarrod Milani (COO and Executive Director)

Chief Financial Officer

Sam Fraser

Joint Company Secretaries

Jade McGillivray and Lucy Rowe

Auditor

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Registry

Automic Pty Ltd

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Investor inquiries and correspondence

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Stock exchange listing

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

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