forbidden®

• FOODS •

ACN: 616 507 334

Annual Report 2021

innov
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health
food

An Australian food company specialising in innovative health food products for retail and food service.

Forbidden Foods is an Australian owned and managed food company specialising in the sourcing and development of innovative, health focused food products for retail and food service in Australia and abroad.

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.

Discover our range of products
forbiddenfoods.com.au


MIX. CHILL. ENJOY.
FUNCH
BLISS SLICE
MIX
FUNCH
SALTED CARAMEL
PROTEIN BALL
MIX
FUNCH
SPICED APPLE PIE
SNACK BALL
MIX

Contents

Transparent. Sustainable. Plant-based.

Chairman's letter

Dear Investor,

I am pleased to report on our first year since successfully listing on the ASX on 31 August 2020. Throughout this period, the Board has worked closely with the Forbidden Foods team to help the company establish its strategic ambitions for the years ahead, whilst also navigating through the pandemic and other macro challenges in the Asian markets.

It has been a positive year for the business with new products and entry into new markets as the Company makes headway to deliver on its growth strategy. Over the last 12 months we have made further progress in delivering our long-term growth plans, with key operational highlights including:

- Successfully listing on the ASX on 31 August 2021, Raising $6m via IPO;
- Australian-based ranging and distribution deals in Q2 for FUNCH® and Sensory Mill® in grocery, pharmacy and speciality retail;
- Forbidden Food's flagship store launch on Alibaba Group's Tmall Global platform marking the Company's entry into Asia in Q3;
- Introduction of new product innovation in Q4 with the launch of FUNCH® 100% Australian plant-based edible oils in Australia and China; and
- Signing an exclusive landmark agreement in Q4 with AusCom International to distribute its infant & toddler, health and nutrition brand FUNCH® in Vietnam.

The management team has been strengthened with the appointment of Sam Fraser as Chief Financial Officer in September 2020 and a number of appointments to the operational teams around the business. During the year, we relocated our headquarters to a larger premises based in Abbotsford, Victoria, where we can provide an environment for our people where personal development, innovation, and change are not only inspired but also celebrated.

I would also like to take this opportunity to welcome the many new shareholders to Forbidden Foods and to thank you for your ongoing support and confidence. The Business has continued to make commercial and strategic progress over the past year and the Board believes there is a solid platform in place from which to progress further within the organic, plant-based, baby foods and associated categories of the food sector.

> Forbidden Foods has two fantastic brands and a dedicated and passionate team working hard to deliver excellent outcomes. The board is confident that the key strategic drivers for the business will continue to align with and resonate with growing consumer demand for nutritious and natural products in our key markets.

The strengths of the Company include its customer relationships, breadth and quality of products, and growing export channels. I very much look forward to continuing to build and nurture the portfolio of exciting family favourite brands in 2022.

Yours sincerely,

M W Hardgrave

Mark Hardgrave
Non Executive Chairman

Director's 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 2021.

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:

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

Principal activities

The principal activities of the consolidated entity during the financial year consisted of operating a multi-brand premium food, beverage and ingredients company focusing on the baby food, wellness and organic 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 2021.

Dividends

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

Review of operations

Following the successful completion of the company's Initial Public Offering (IPO) in August 2020, the consolidated entity has actively deployed resources throughout the financial year to extend the product range offered under its brands, FUNCH® and Sensory Mill®, and expand the offering of the brands into new markets, both domestic and international.

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

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

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

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

Significant changes in the state of affairs

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

On 31 August 2020, the company commenced trading as a listed company on the Australian Securities Exchange (ASX) having completed an Initial Public Offering which raised $6,000,000 (before costs).

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 2021, the following events have occurred:

Distribution agreement – Winhealth Pharma

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

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

Distribution agreement – Moshi Wellness OPC

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

Working capital facilities

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

Forbidden Foods Property Holdings

A subsidiary of the consolidated entity, Forbidden Foods Property Holdings Pty Ltd, was voluntarily wound up and officially deregistered with ASIC on 25 August 2021.

Acquisition – Blue Dinosaur Pty Ltd

On 10 September 2021, the consolidated entity advised it had entered into a conditional agreement to acquire 100% of the issued shares in Blue Dinosaur Pty Ltd for up to $4.0 million on cash-free and debt-free basis.

Director's report

Continued

Placement and Share Purchase Plan

On 10 September 2021, the consolidated advised it had successfully completed a $5.5 million placement to new and existing institutional and sophisticated investors at an issue price of $0.24 per share. The placement was completed in two tranches. Tranche 1 was completed under the consolidated entity's capacity under Listing Rule 7.1 and 7.1A. Tranche 2 is subject to shareholder approval at the 2021 Annual General Meeting (AGM).

A Share Purchase Plan (SPP) to raise up to $1.0 million was also announced on 10 September 2021. At the date of this report, the SPP is not underwritten, however the company reserves the right to subsequently put in place an underwriting arrangement for the whole or part of the maximum amount of $1,000,000 to be raised.

Coronavirus (COVID-19)

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

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

Likely developments and expected results of operations

The future likely developments of the consolidated entity includes 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.

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
Mark Hardgrave Independent Non-Executive Chair *B.Com, CA, GAICD*	Mark was appointed as a director in January 2020 and has over 35 years' experience in the finance industry. He is co-founder and former joint managing director of M&A Partners, a Melbourne-based boutique corporate advisory group. Prior to that, Mark held senior roles at Taverners Group, Merrill Lynch, Thorney Investment Group and Bennelong Group, specialising in funds management, equity capital markets and mergers and acquisitions. Mark is Chair of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee. Other current directorships in listed entities: Pental Limited (Chairman) and Traffic Technologies Limited Former directorships in the last 3 years: Wingara AG Ltd Interests in shares: 382,192 ordinary shares Interests in options: 1,000,000 options
Colleen Lockwood Independent Non-Executive Director	Colleen was appointed as a director in January 2020 and has extensive experience in the Food and Beverage Industry. She has previously worked as a Business Development Director for Golden State Foods, where she coordinated business units in the retail and foodservice sectors across Asia Pacific, the Middle East and Africa. Colleen has also held senior positions at Kraft Heinz, where she was a member of the Australian leadership team. During her time at Kraft Heinz, Colleen has been responsible for market strategies, international tenders, customer relationship management, sales teams and the commercial performance of the Australian foodservice business unit. Colleen is currently the business relationship manager at Turosi, a leading, privately owned Australian food manufacturer and supplier. With over 20 years' relevant experience and a deep understanding of the Food and Beverage Industry, Colleen is well equipped to be a Director of Forbidden Foods and help guide its development and growth. Colleen 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: None Interests in shares: 76,439 ordinary shares Interests in options: 500,000 options

Director's report

Continued

Name and position	Experience and qualifications
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
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, e-commerce 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 in order 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: 9,334,811 Interests in options: 1,500,000

Name and position	Experience and qualifications
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: 50,000 Interests in options: 250,000

Company secretary

Adam Soffer was appointed Company Secretary on 7 April 2020. He has extensive experience in senior corporate management roles at ASX listed and unlisted groups across a range of sectors including commercial property, funds management, telecommunications and e-commerce.

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

Meetings of directors

The number of meetings of Forbidden Foods Limited's Board of Directors and of each Board committee held during the year ended 30 June 2021, 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	10	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.

Director's report

Continued

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 2021. The report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001* (Cth) and Regulations.

The report is structured as follows:

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

(b) Details of remuneration

(c) Service agreements

(d) Share-based compensation

(e) Relationship between the remuneration policy and company performance

(f) Key management personnel disclosures

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

Remuneration governance

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

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

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

Key committee decisions and remuneration outcomes in FY21

The Committee issued options under the Equity Incentive Plan to the key management personnel. Options to be issued in FY21 to executive directors were then approved at the 2020 Annual General Meeting.

The appointment of Sam Fraser as CFO during the year was approved by the Chair of the Board of Forbidden Foods.

The commencement of new employment contracts for the CEO and COO were effective from 1 July 2020, and hence FY21 is the first year in which short and long term incentives were made to executive directors and KMP.

Executive remuneration

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

Non-executive director remuneration

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

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

Fixed remuneration

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

Variable performance-based remuneration

This includes cash-based short-term incentive payments.

The consolidated entity offered short-term incentives (being cash-based) to executive directors and KMP for the first time in FY21. These amounts were paid subsequent to 30 June 2021.

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. KPI's include financial and non-financial measurements and are measured by the Remuneration and Nomination Committee at the end of the financial year.

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.

The performance conditions upon which the short-term incentives are measured are:

Performance condition	Why this condition was chosen	Methods used in assessing achievement of the performance condition
Achievement of revenue compared to budget	The Remuneration and Nomination Committee believes that achieving or out-performing its revenue budget is a key driver of shareholder value.	Comparison of revenue achieved compared to the annual budget.
Achievement of EBIT compared to budget	The Remuneration and Nomination Committee believes that achieving or out-performing its EBIT budget is a key driver of shareholder value.	Comparison of EBIT achieved compared to the annual budget.
Non-financial items including implementation of key projects (CFO)	As Forbidden Foods listed on ASX during FY21, the implementation of new systems and processes following the commencement of the CFO was seen as critical to enhancing the Company's corporate processes.	CEO discretion.

Director's report

Continued

Equity-based remuneration

Forbidden Foods' equity based remuneration can include options or performance shares and is especially effective when linked to hurdles that are aligned to the Forbidden Foods' longer-term performance objectives.

During FY21, the consolidated entity issued options to the executive directors and KMP. The options issued to executive directors were approved at the 2020 Annual General Meeting. The terms of these options are set out on page 16 and do not include performance conditions (other than length of service). This is considered appropriate as the exercise price for the options issued was significantly above the share price at the time of issue.

Use of remuneration consultants

No remuneration consultants were used during the year.

Termination payments

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

Securities trading policy

The trading of the Company's securities by employees and directors is subject to, and conditional upon, the Securities Dealing Policy which is available on Forbidden Foods' corporate website at www.forbiddenfoods.com.au.

(b) Details of remuneration

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

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

- **Mark Hardgrave** (Chair) (Independent, non-executive)
- **Colleen Lockwood** (Independent, non-executive)
- **Marcus Brown** (Chief Executive Officer)
- **Jarrod Milani** (Chief Operating Officer)

Key Management Personnel:

- **Sam Fraser** (Chief Financial Officer) appointed 1 October 2020

There are no other key management personnel other than those stated above.

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 $
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**
2020							
Mark Hardgrave[4]	26,636	–	2,530	–	–	69,379	98,545
Colleen Lockwood[4]	15,982	–	1,518	–	–	34,689	52,189
Marcus Brown	108,033	–	9,110	3,277	–	–	120,420
Jarrod Milani	109,097	–	9,110	2,968	–	–	118,175
	256,748	**–**	**22,268**	**6,245**	**–**	**104,068**	**389,329**

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.

4 Mark Hardgrave and Colleen Lockwood were appointed directors from 23 January 2020.

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

	Fixed remuneration		At risk – STI		At risk – LTI	
	2021	2020	2021	2020	2021	2020
Non-executive directors						
Mark Hardgrave	100%	100%	–	–	–	–
Colleen Lockwood	100%	100%	–	–	–	–
Executive Directors						
Marcus Brown	87%	100%	–	–	13%	–
Jarrod Milani	87%	100%	–	–	13%	–
Other Key Management Personnel						
Sam Fraser	77%	–	19%	–	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.

Director's report

Continued

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

	Cash bonus paid/payable		Cash bonus forfeited	
	2021	2020	2021	2020
Executive Directors				
Marcus Brown	–	–	100%	–
Jarrod Milani	–	–	100%	–
Other Key Management Personnel				
Sam Fraser	67%	–	33%	–

The Remuneration and Nomination Committee determined that given the unique circumstances of completing its ASX listing during the FY21 period, and COVID-19 impacts to the domestic economy during the year, the Executive Directors would not receive a cash bonus (STI) in respect of the FY21 period.

(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 CEO shall not be entitled to any damages for, or make any claim against the consolidated entity or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the CEO in respect of their retirement or any unexpired portion of the term of his 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	**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 his 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.

Director's report

Continued

(d) Share-based compensation

Issue of shares

During the year ended 30 June 2021, there were no issues of ordinary shares to the Directors and other Key Management Personnel as part of their remuneration.

Issue of options over ordinary shares

The number of options over ordinary shares granted to and vested by Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2021 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	–	1,000,000	–	–
Colleen Lockwood	–	500,000	–	–
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 group 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.

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

(f) Key management personnel disclosures

Shareholding

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

	Balance at 30 June 2020	Acquired	Disposed	Share consolidation[1]	Other[2]	Balance at 30 June 2021
Mark Hardgrave	–	–	–	–	382,192	382,192
Colleen Lockwood	–	–	–	–	76,439	76,439
Marcus Brown	14,117,647	–	–	(4,782,836)	–	9,334,811
Jarrod Milani	14,117,647	–	–	(4,782,836)	–	9,334,811
Sam Fraser	–	50,000	–	–	–	50,000

1 A share consolidation occurred on 13 July 2020 which resulted in the reduction of the Company's issued capital at a ratio of 0.66121575 to 1.

2 On completion of the Company listing on the ASX, convertible notes held by the non-executive directors automatically converted to ordinary shares held in the Company.

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 2020	Granted during the year	Exercised	Expired, forfeited and other changes	Balance at 30 June 2021
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

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

End of Remuneration Report

Director's report

Continued

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 2021 are disclose in note 26 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

Share 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.

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

M W Hardgrave

Mark Hardgrave
Director

30 September 2021
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 2021, 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
Melbourne, 30 September 2021

Kenneth Weldin
Partner

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Consolidated statement of profit or loss and other comprehensive income

Year ended 30 June

	Note	2021 $	2020 $
Revenue	4	4,206,387	4,119,947
Other income	5	165,640	68,447
Expenses			
Changes in inventories		(881,623)	(502,774)
Raw materials and consumables used		3,717,908	3,212,294
Employee benefits expense	6	1,496,900	795,590
Freight out and distribution expense		765,342	602,053
Depreciation and amortisation expense	6	138,106	122,825
Marketing and promotion costs		904,417	207,780
Occupancy costs		82,683	23,934
Corporate expenses		411,365	-
Finance costs	6	531,940	1,264,441
Other expenses		660,909	815,551
Loss before income tax expense		**(3,455,920)**	**(2,353,300)**
Income tax expense	7	-	-
Loss after income tax expense for the year		**(3,455,920)**	**(2,353,300)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	22	1,330	521
Total comprehensive loss for the year		**(3,454,590)**	**(2,352,779)**
Loss for the year is attributable to:			
Owners of Forbidden Foods Limited		(3,455,920)	(2,353,300)
		(3,455,920)	**(2,353,300)**
Total comprehensive loss for the year is attributable to:			
Owners of Forbidden Foods Limited		(3,454,590)	(2,352,779)
		(3,454,590)	**(2,352,779)**
Loss per share			
Basic (cents per share)	33	(5.08)	(13.51)
Diluted (cents per share)	33	(5.08)	(13.51)

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	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	8	1,149,060	136,308
Trade and other receivables	9	522,361	694,414
Inventories	10	1,933,888	1,052,265
Income tax receivable	11	–	4,434
Other assets	12	120,596	281,967
Total current assets		**3,725,905**	**2,169,388**
Non-current assets			
Property, plant and equipment	13	55,104	15,587
Intangible assets	14	129,789	53,137
Right-of-use assets	15	426,424	31,656
Other assets	12	10,330	–
Total non-current assets		**621,647**	**100,380**
Total assets		**4,347,552**	**2,269,768**
Liabilities			
Current liabilities			
Trade and other payables	16	705,325	1,425,019
Borrowings	17	–	1,906,434
Derivative financial instruments	18	–	901,564
Employee benefits	19	139,785	100,675
Lease liabilities	20	117,394	32,091
Total current liabilities		**962,504**	**4,365,783**
Non-current liabilities			
Employee benefits	19	1,523	15,085
Lease liabilities	20	326,353	–
Total non-current liabilities		**327,876**	**15,085**
Total liabilities		**1,290,380**	**4,380,868**
Net assets/(liabilities)		**3,057,172**	**(2,111,100)**
Equity			
Issued capital	21	8,731,675	586,451
Reserves	22	582,815	103,847
Retained losses	23	(6,257,318)	(2,801,398)
Total equity		**3,057,172**	**(2,111,100)**

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

Consolidated	Issued capital (Note 21) $	Reserves (Note 22) $	Retained losses (Note 23) $	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**

Consolidated	Issued capital $	Reserves $	Retained losses $	Total equity $
Balance at 1 July 2019	**586,451**	**(742)**	**(448,098)**	**137,611**
Loss for the period	–	–	(2,353,300)	(2,353,300)
Other comprehensive loss	–	521	–	521
Total comprehensive loss	–	521	(2,353,300)	(2,352,779)
Transactions with owners:				
Share-based payments	–	104,068	–	104,068
Balance at 30 June 2020	**586,451**	**103,847**	**(2,801,398)**	**(2,111,100)**

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

Consolidated statement of cash flows

Year ended 30 June

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

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 2021

Note 1. General information

These are the consolidated financial statements of Forbidden Foods Limited (the 'company'), comprising the company and the entities is controlled at the end of, or during the year ended 30 June 2021 (the 'consolidated entity').

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

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

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 2021 of $3,455,920 (30 June 2020: $2,353,300), and operating cash outflows of $3,704,058 (30 June 2020: $1,134,578) and as at 30 June 2021 the consolidated entity had a net asset position of $3,057,172 (30 June 2020 net liabilities: $2,111,100).

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 2021 including:
  - significant one-off capital raising costs and finance costs in relation to the convertible notes and the IPO;
  - non-cash items including depreciation and amortisation and share-based payments;
- at the date of this report there is $1,250,000 in unused debtor and trade finance facilities available to the consolidated entity;

Notes to the financial statements

Continued

- on 10 September 2021, the company raised $5,500,000 by successfully completing a two-tranche placement to new and existing institutional, sophisticated and professional investors;
  - Tranche 1 – approximately $3,500,000 under Listing Rule 7.1 and 7.1A placement capacity;
  - Tranche 2 – approximately $2,000,000 subject to shareholder approval at the company's 2021 Annual General Meeting; and
- the expected participation in the Share Purchase Plan (SPP) to raise up to $1,000,000. The SPP is not underwritten at the date of this report, but the company may determine to have it underwritten.

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

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

(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 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Forbidden Foods Limited as at 30 June 2021 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.

(a) Common control transactions

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

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

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

Operating segments

The consolidated entity has only one operating segment, being the provision of goods to customers in the food and beverage industry operating within retail, food service, food manufacturing and quick service restaurants. 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.

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.

Notes to the financial statements

Continued

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.

Note 4. Revenue

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

Disaggregation of revenue from contracts with customers is as follows:

	2021 $	2020 $
Geographical regions		
Australia	3,842,071	3,926,538
New Zealand	128,126	193,409
China and South-East Asia	236,190	–
Total revenue	**4,206,387**	**4,119,947**

Significant accounting policies

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.

Notes to the financial statements

Continued

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

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

Significant accounting policies

Other revenue

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

Note 6. Expenses

	2021 $	2020 $
Loss before income tax includes the following specific items:		
Employee benefits expense		
Salaries and wages	1,112,551	534,199
Superannuation	115,822	55,060
Share-based payments	102,438	104,068
Non-executive director fees	103,501	42,618
Other employee related expenses	62,588	59,645
Total employee benefits expense	**1,496,900**	**795,590**
Depreciation and amortisation expense		
Depreciation of right-of-use assets	104,456	105,480
Depreciation of plant and equipment	15,054	5,942
Amortisation of intangible assets	18,596	11,403
Total depreciation and amortisation expense	**138,106**	**122,825**
Finance costs		
Cost of issuing convertible notes	–	196,086
Debtor finance fees	25,995	57,188
Interest on convertible notes	30,685	103,653
Interest on lease liabilities	9,774	2,645
Listing costs	237,861	144,566
Trade finance fees	16,120	55,910
Unwinding of discount on convertible notes	210,372	704,345
Other interest	1,133	48
Total finance costs	**531,940**	**1,264,441**

Notes to the financial statements

Continued

Note 7. Income tax expense

	2021 $	2020 $
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	(3,455,920)	(2,353,300)
Tax at the statutory rate of 26% (2020: 27.5%)	(898,539)	(647,158)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-allowable expenses	17,680	27,187
Tax losses and other timing differences for which no DTA is recognised	880,859	619,971
Income tax expense	**–**	**–**

Significant accounting policies

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

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

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

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

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

Note 8. Cash and cash equivalents

	2021 $	2020 $
Cash on hand	946	946
Cash at bank	1,118,114	135,362
Term deposit	30,000	–
Total cash and cash equivalents	**1,149,060**	**136,308**

Significant accounting policies

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Trade and other receivables

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

Significant accounting policies

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 60 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.

Notes to the financial statements

Continued

Note 10. Inventories

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

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

Significant accounting policies

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 realised 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. Income tax receivable

	2021 $	2020 $
Income tax instalments refundable	–	4,434
Total income tax refundable	**–**	**4,434**

Note 12. Other assets

	2021 $	2020 $
Current		
Prepaid expenses	116,850	281,791
Other	3,746	176
Total other current assets	**120,596**	**281,967**
Non-current		
Bonds	10,330	–
Total other non-current assets	**10,330**	**–**

Note 13. Property, plant and equipment

	2021 $	2020 $
Plant and equipment – at cost	87,015	32,444
Less: Accumulated depreciation	(31,911)	(16,857)
Total property, plant and equipment	**55,104**	**15,587**

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 2019	10,423
Additions	11,106
Disposals	–
Depreciation	(5,942)
Balance at 30 June 2020	**15,587**
Balance at 1 July 2020	15,587
Additions	54,571
Disposals	–
Depreciation	(15,054)
Balance at 30 June 2021	**55,104**

Notes to the financial statements

Continued

Significant accounting policies

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 14. Intangibles

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

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

	Trademarks $	Website $	Total $
Balance at 1 July 2019	30,664	15,733	46,397
Additions	18,142	–	18,142
Disposals	–	–	–
Amortisation expense	(8,202)	(3,200)	(11,402)
Balance at 30 June 2020	**40,604**	**12,533**	**53,137**
Balance at 1 July 2020	40,604	12,533	53,137
Additions	35,398	59,850	95,248
Disposals	–	–	–
Amortisation expense	(13,401)	(5,195)	(18,596)
Balance at 30 June 2021	**62,601**	**67,188**	**129,789**

Significant accounting policies

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 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) 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.

(b) 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.

Notes to the financial statements

Continued

Note 15. Right-of-use assets

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

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

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

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

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

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

Significant accounting policies

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.

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 16. Trade and other payables

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

Significant accounting policies

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 measure at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

Notes to the financial statements

Continued

Note 17. Borrowings

	2021 $	2020 $
Convertible notes	–	1,906,434
Total borrowings	**–**	**1,906,434**

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

Convertible notes

On 13 December 2019 the company issued 1,539,000 convertible notes, with a face value of $1 each, to various investors for total proceeds of $1,539,000, and on 29 January 2020 the company issued a further 461,000 convertible notes, with a face value of $1 each, for total proceeds of $461,000. Simple, non-compounding interest accrues on the convertible notes at a rate of 10% per annum.

On completion of the IPO, the convertible notes (together with accrued interest) automatically converted into ordinary shares at an effective conversion price of $0.14, equivalent to 70% of the IPO price. The discount on conversion was considered a derivative financial instrument which per AASB 9 *Financial Instruments* was required to be accounted for separate to the host liability. Further details on the derivative liability are included in note 18.

Refer to note 24 for further information on financial instruments.

Significant accounting policies

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

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

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

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

Note 18. Derivative financial instruments

	2021 $	2020 $
Derivative financial instruments	–	901,564
Total derivative financial instruments	**–**	**901,564**

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

Note 19. Employee benefits

	2021 $	2020 $
Current		
Employee benefits	139,785	100,675
Non-current		
Employee benefits	1,523	15,085
Total employee benefits	**141,308**	**115,760**

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:

	2021 $	2020 $
Employee benefits obligation expected to be settled after 12 months	13,979	10,068
	13,979	**10,068**

Significant accounting policies

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.

Notes to the financial statements

Continued

Defined contribution superannuation expense

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

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 20. Lease liabilities

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

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

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

Significant accounting policies

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 15 for the significant accounting judgements, estimates and assumptions in relation to lease liabilities.

Note 21. Issued capital

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

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

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

Refer to note 17 for further information on the convertible notes.

Notes to the financial statements

Continued

Ordinary shares

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

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

Share split

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

Share consolidation

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

Significant accounting policies

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.

Note 22. Reserves

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

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

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

Foreign currency reserve

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

Share-based payments reserve

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

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 23. Retained losses

	2021 $	2020 $
Retained losses at the beginning of the financial year	(2,801,398)	(448,098)
Loss after income tax expense for the year	(3,455,920)	(2,353,300)
Total retained losses	**(6,257,318)**	**(2,801,398)**

Notes to the financial statements

Continued

Note 24. 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.

	2021 $	2020 $
Financial assets		
Cash and cash equivalents	1,149,060	136,308
Trade and other receivables	522,361	694,414
	1,671,421	**830,722**
Financial liabilities		
Trade and other payables	705,325	1,425,019
Lease liabilities	443,747	32,091
Convertible notes	–	1,906,434
Derivative financial instruments	–	901,564
	1,149,072	**4,265,108**

Significant accounting policies

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.

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.

Notes to the financial statements

Continued

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

	2021	2020
Australian dollars	**AUD $**	**AUD $**
Bank overdraft	–	100,000
Credit cards	101,734	11,060
Debtor factoring facilities	–	125,225
Revolving facility	–	300,000
	101,734	**613,842**

New Zealand dollars	**NZD $**	**NZD $**
Bank overdraft	10,000	10,000
	10,000	**10,000**

United States dollars	**USD $**	**USD $**
Trade finance facilities	–	165,471
	–	**165,471**

Subsequent to 30 June 2021, the consolidated entity secured debt facilities totalling $1,250,000, which remain unused at the date of issuing these financial statements. Refer to note 32 for further information.

Remaining contractual maturities

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

Lease liabilities and convertible notes payable have an average interest rate of 4% and 10% respectively (30 June 2020: 4% and 10%).

All amounts for 2021 & 2020 are equal to their carrying value per the statement of financial position.

Note 25. Key management personnel disclosures

Compensation

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

	2021 $	2020 $
Short-term employee benefits	569,156	256,748
Post-employment benefits	54,719	22,268
Long-term benefits	14,277	6,245
Share-based payments	102,439	104,068
Total compensation to key management personnel	**740,591**	**389,329**

Note 26. 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:

	2021 $	2020 $
Audit or review of the financial statements	45,000	37,500
Other services	67,588	76,565
	112,588	**114,065**

Note 27. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Notes to the financial statements

Continued

Note 28. Related party transactions

Parent entity

Forbidden Foods Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2021 $	2020 $
Payments for social media/photography services		
An Architect Photographed My Undies (Director-related business of Jarrod Milani)	13,240	16,716
Total payments to related parties	**13,240**	**16,716**

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 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	2021 $	2020 $
Loss after income tax	(3,238,708)	(1,299,384)
Total comprehensive loss	**(3,238,708)**	**(1,299,384)**

Statement of financial position

	2021 $	2020 $
Total current assets	770,142	264,521
Total assets	4,965,601	2,237,864
Total current liabilities	78,910	2,807,998
Total liabilities	79,263	2,807,998
Total equity	4,886,338	(570,134)

Significant accounting policies

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

Note 30. 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	2021 %	2020 %
Forbidden Foods (Australia) Pty Ltd	Australia	100.00%	100.00%
Forbidden Foods (New Zealand) Limited	New Zealand	100.00%	100.00%
Forbidden Foods Property Holdings Pty Ltd	Australia	100.00%	100.00%
Radnor Unit Trust	Australia	0.00%	100.00%

On 1 January 2021, the consolidated entity transferred the business operated in Radnor Unit Trust to Forbidden Foods (Australia) Pty Ltd. Radnor Unit Trust was subsequently vested on 30 June 2021.

Notes to the financial statements

Continued

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

	2021 $	2020 $
Loss after income tax expense for the year	(3,455,920)	(2,353,300)
Adjustments for:		
Depreciation and amortisation expenses	138,106	17,345
Share-based payments	285,158	104,068
Leases	–	108,125
Finance costs	531,940	1,261,797
Foreign exchange differences	1,584	(1,228)
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	413,800	(345,353)
(Increase)/decrease in inventories	(870,843)	(502,774)
(Increase)/decrease in other assets	(102,200)	(264,553)
Increase/(decrease) in payables	(671,231)	781,650
Increase/(decrease) employee benefits	25,548	59,645
Net cash used in operating activities	**(3,704,058)**	**(1,134,578)**

Note 32. Events after the reporting period

Since 30 June 2021, the following events have occurred:

Distribution agreement – Winhealth Pharma

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

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

Distribution agreement – Moshi Wellness OPC

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

Working capital facilities

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

Forbidden Foods Property Holdings

A subsidiary of the consolidated entity, Forbidden Foods Property Holdings Pty Ltd, was voluntarily wound up and officially deregistered with ASIC on 25 August 2021.

Acquisition – Blue Dinosaur Pty Ltd

On 10 September 2021, the consolidated entity advised it had entered into a conditional agreement to acquire 100% of the issued shares in Blue Dinosaur Pty Ltd for up to $4.0 million on cash-free and debt-free basis.

Placement and Share Purchase Plan

On 10 September 2021, the consolidated advised it had successfully completed a $5.5 million placement to new and existing institutional and sophisticated investors at an issue price of $0.24 per share. The placement was completed in two tranches. Tranche 1 was completed under the consolidated entity's capacity under Listing Rule 7.1 and 7.1A. Tranche 2 is subject to shareholder approval at the 2021 Annual General Meeting (AGM).

A Share Purchase Plan (SPP) to raise up to $1.0 million was also announced on 10 September 2021. At the date of this report, the SPP is not underwritten, however the company reserves the right to subsequently put in place an underwriting arrangement for the whole or part of the maximum amount of $1,000,000 to be raised.

Coronavirus (COVID-19)

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

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

Notes to the financial statements

Continued

Note 33. Loss per share

	2021 $	2020 $
Net loss attributable to the owners of Forbidden Foods Limited ($)	(3,455,920)	(2,353,300)
	(3,455,920)	**(2,353,300)**

	2021 No.	2020 No.
Weighted average number of ordinary shares for calculating basic loss per share	68,034,517	17,424,753
	68,034,517	**17,424,753**
Adjustments for calculation of diluted loss per share		
Dilutive potential ordinary shares	–	48,552,369
Options over ordinary shares	8,750,000	5,500,000
Share consolidation	–	(13,551,370)
Weighted average number of ordinary shares for calculating diluted loss per share	**76,784,517**	**57,925,752**

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

Significant accounting policies

Loss per share

(a) Basic loss per share

Basic loss per share 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 earnings per share 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 34. Share-based payments

(a) Options granted during the period

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

(b) Fair value of options granted

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

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

Refer to the Remuneration Report for further information on the options granted during the year.

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 2021 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

M W Hardgrave

Mark Hardgrave
Director

30 September 2021

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 2021, 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 2021 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.

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 – Treatment of financial instruments	*How our audit addressed this matter*
Notes 17, 18 and 21 of the financial report describe the financial instruments entered into by the Company, leading up to the Initial Public Offering (IPO) and listing on the Australian Securities Exchange (ASX) on 31 August 2020. The following summarises the related events, transactions and balances: **Listing on the ASX** Upon listing on the ASX, the Company issued 30 million new shares at \$0.20 per share generating new capital of \$6 million. **Conversion of converting notes** During the previous financial year, the Company issued convertible notes of 2 million with a face value of \$1 each, generating proceeds of \$2 million. The notes were to be converted as per the terms of the converting note deed poll. On completion of the IPO, the convertible notes (together with accrued interest) automatically converted into ordinary shares at an effective conversion price of \$0.14, equivalent to 70% of the IPO price.	Our audit procedures included, but were not limited to, the following: **Listing on the ASX** • reviewing the calculations associated with the capital raising and matching reported proceeds to underlying records and bank receipts; • validating the volume of shares issued to lead manager and corporate records. **Conversion of converting notes** • assessing and challenging the treatment of the conversions to equity, including the valuation of the instrument at date of conversion, the appropriateness of the conversion valuation method adopted and the resulting fair value on conversion of instruments to share capital; • reviewing the adequacy of disclosures in the financial statements with reference to the conversion. (Continued)

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Independent auditor's report

Continued

Key Audit Matter – Treatment of financial instruments	*How our audit addressed this matter*
The discount on conversion was considered a derivative financial instrument which per AASB 9 Financial Instruments was required to be accounted for separate to the host liability. The accounting for these financial instruments is a Key Audit Matter due to the complex nature of the instruments and the judgemental estimates used in determining the valuation and conversion to equity in accordance with applicable Australian Accounting Standards.	
Key Audit Matter – Inventory valuation and existence	***How our audit addressed this matter***
The Group had inventory with a carrying value of $1,933,887 inclusive of a provision for inventory written off of $69,499 as at 30 June 2021, as disclosed in note 10 of the financial report. This was determined to be a Key Audit Matter as: • Inventory is the most significant of the Group's assets; • Judgement is required in estimating future selling prices used in valuing goods at the lower of cost and net realisable value; • Providing for quality or obsolescence issues required assumptions on the potential future use of inventory items; • As a normal part of the Group's operation, inventory is transferred between group entities, which requires a material consolidation adjustment to eliminate unrealised intercompany profits at year end.	Our audit procedures included, but were not limited to, the following: • Attending inventory counts at significant locations, reperforming a count of a sample of items and verifying against the final inventory listings; • Performing cut off procedures to verify that inventory has been recorded in the correct accounting period; • Evaluating the methods used by Management to determine the valuation of inventory and assessing against the Group's accounting policy; • Testing the accuracy of costing for a sample of inventory items by tracing to supporting documentation; • Validating that inventory was recorded at the lower of cost and net realisable in line with AASB 102 Inventories; and • Reviewing the Group's processes for identifying, and subsequently accounting for, quality or obsolescence matters and assessed the appropriateness of the provisions raised.

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 2021 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.

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 2021.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Independent auditor's report

Continued

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	**Kenneth Weldin**
Melbourne, 30 September 2021	**Partner**

Shareholder information

The shareholder information set out below was applicable as at 21 September 2021.

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	25	0.01%
1,001 to 5,000	818	2.39%
5,001 to 10,000	338	3.17%
10,001 to 100,000	462	17.63%
100,001 and over	93	76.80%
Total	**1,736**	**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 %
MKB FAMILY INVESTMENTS PTY LTD <MKB FAMILY A/C>	9,334,811	10.42%
MILANI FAMILY INVESTMENTS PTY LTD <MILANI FAMILY A/C>	9,334,811	10.42%
SANLAM PRIVATE WEALTH PTY LTD <WESTBOURNE LONG SHORT A/C>	3,750,000	4.19%
TUWHERA TE RANGI LTD	3,750,000	4.19%
MR MARK BUTLER & MRS LYNDA RAE BUTLER	3,527,927	3.94%
B F A PTY LTD	2,810,274	3.14%
DIGGING LION PTY LTD <ADAM & VICTORIA SOFFER A/C>	2,489,283	2.78%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	2,239,948	2.50%
SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	2,083,334	2.33%
MADAM SUAT CHIN KOH	1,735,137	1.94%
TR NOMINEES PTY LTD	1,653,039	1.85%
TALMALMO INVESTMENTS PTY LTD	1,505,186	1.68%
HIT ON TWENTY PTY LTD	1,173,779	1.31%
INTERDALE PTY LTD <MAPLE SUPER A/C>	1,107,143	1.24%
IGNITION CAPITAL PTY LTD <THE IGNITION A/C>	1,090,092	1.22%
MR ZHONGMING LIN	1,000,000	1.12%
FIORI PTY LTD	900,000	1.00%
MS YUAN XU	856,450	0.96%
D J MARWOOD PTY LTD <D J MARWOOD SUPER FUND A/C>	798,859	0.89%
MARCUS DELL PTY LTD <MARCUS DELL PTY LTD A/C>	688,161	0.77%
Total	**51,828,234**	**57.85%**

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 %
MKB FAMILY INVESTMENTS PTY LTD <MKB FAMILY A/C>	9,334,811	10.42%
MILANI FAMILY INVESTMENTS PTY LTD <MILANI FAMILY A/C>	9,334,811	10.42%
Total	**18,669,622**	**20.84%**

C. Unquoted equity securities

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

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Corporate directory

Principal place of business

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

Directors

Mark Hardgrave (Independent Non-Executive Chair)

Colleen Lockwood (Non-Executive Director)

Marcus Brown (CEO and Managing Director)

Jarrod Milani (COO and Executive Director)

Company secretary

Adam Soffer

Auditor

PKF Melbourne

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Registry

Automic Pty Ltd

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Investor inquiries and correspondence

Forbidden Foods Limited

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Website: www.forbiddenfoods.com.au
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Securities exchange listing

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

www.colliercreative.com.au #FRB0006

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• FOODS •