

Forbidden Foods Limited

ABN 82 616 507 334

Reporting period: For the half-year ended 31 December 2021

Previous period: For the half-year ended 31 December 2020

Results for announcement to the market

Six months ended 31 December	Movement	%	\$
Revenue from ordinary activities	Up	66.1% to	3,237,992
Loss for the period attributable to the owners of Forbidden Foods Limited	Up	7.4% to	(1,859,460)
Total comprehensive loss for the period attributable to the owners of Forbidden Foods Limited	Up	7.6% to	(1,861,472)

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,859,460 (31 December 2020: \$1,730,734).

Please refer to the review of operations on page 3 of the accompanying half-year financial report for more information.

Net tangible assets

	At 31 Dec 2021 Cents	At 30 Jun 2021 Cents
Net tangible asset backing per ordinary share	4.71	6.18

Dividends

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

Dividend reinvestment plans

Not applicable.

Control gained or lost over entities

On 28 August 2021, a dormant subsidiary of the consolidated entity, Forbidden Foods Property Holdings Pty Ltd was voluntarily wound up.

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

Details of associates and joint venture entities

Not applicable.

Foreign entities

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

Interim review

The interim financial report has been reviewed by the consolidated entity's independent auditor and the auditor's review report is included as part of the attached Interim Report.

Attachments

The Interim Report of Forbidden Foods Limited for the half-year ended 31 December 2021 is attached.

Signed

On behalf of the directors



Mark Hardgrave
Director

28 February 2022
Melbourne

Forbidden Foods Limited

ACN: 616 507 334

Interim Report – 31 December 2021

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Highlights

\$3.24m

Revenue

▲ Up 66.1% PCP

\$7.87m

Net assets

▲ Up 157.3% from 30 June 2021

\$4.31m

Total available liquidity

Cash on hand, short-term deposits and undrawn committed debt facilities

\$1.57m

Cash used in operations

▲ Improved 16.3% PCP

\$5.8m

Capital raised

Successful placement and share purchase plan

2.10

Loss per share

▲ Improved 80¢ PCP

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Forbidden Foods Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

Mark Hardgrave
Marcus Brown
Jarrod Milani
Colleen Lockwood

Principal activities

The principal continuing activities of the consolidated entity during the financial half-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 half-year ended 31 December 2021.

Review of operations

During the period the consolidated entity continued the execution of our growth strategy. Building on momentum from H2 FY21, the consolidated entity achieved revenue for the financial half year ended 31 December 2021 of \$3,237,992 (31 December 2020: \$1,949,754), delivering strong revenue growth of 66.1% and surpassing \$3.0m for the first time in a half-year period.

The period included the acquisition of Blue Dinosaur Pty Ltd, a health focused bar and snacking company which targets the active and health-conscious millennial demographic. The acquisition extends Forbidden Foods' presence in the rapidly growing plant-based food market and provides the opportunity to accelerate international growth and drive cross sell opportunities via complementary distribution networks.

Key achievements:

- Exclusive cross-border e-commerce distribution agreement with Winhealth Pharma to distribute FUNCH on China's second largest cross-border e-commerce platform, Kaola, and China's largest online retailer, JD.com (see ASX release on 2 July 2021)
- Exclusive agreement with Moshi Wellness OPC to sell, market and distribute FUNCH and Sensory Mill in the Philippines (see ASX release on 15 July 2021)
- Exclusive general trade distribution agreement with Orange Group to distribute FUNCH through its trading arm, Panda Trading, which services over 10,000 stores in Northern and Central China (see ASX release on 31 August 2021)
- Acquired Blue Dinosaur Pty Ltd, a highly complementary plant-based bar and snacking company with strong brand awareness and distribution into the health food market (see ASX release on 10 September 2021)
- Successfully completed a \$5.50m placement to new and existing institutional and sophisticated investors (see ASX release 10 September 2021) and raised a further \$316,500 under the share purchase plan (see ASX release 5 October 2021).

Directors' report

Continued

The following table summarises key financial metrics for the period:

Half year ended	31 Dec 2021 \$	31 Dec 2020 \$	Change \$	Change %
Revenue	3,237,992	1,949,754	1,288,238	66.1
Employee benefits expense	1,028,786	678,687	(350,099)	(51.6)
Marketing and promotion costs	666,100	329,822	(336,278)	(102.0)
Other income	2,613	170,257	(167,644)	(98.5)
EBITDA ¹	(1,757,408)	(953,738)	(803,670)	(84.3)
Cash flow boost payment	-	(50,000)	50,000	100.0
Research and development tax incentive	-	(115,090)	115,090	100.0
Business acquisition and integration costs	102,280	-	102,280	100.0
Business restructure costs	5,500	-	5,500	100.0
Share-based payments	56,388	46,051	10,337	22.4
Underlying EBITDA ²	(1,593,240)	(1,072,777)	(520,463)	(48.5)

¹ EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax.

² Underlying EBITDA is EBITDA adjusted to exclude business acquisition and integration costs, business restructuring costs, capital raising costs and share-based payments.

The loss for the consolidated entity after providing for income tax amounted to \$1,859,460 (31 December 2020: \$1,730,734), driven by:

- An increased headcount with the addition of the Blue Dinosaur team, along with the consolidated entity increasing its in-house digital capabilities;
- An increased investment in digital sales channels, including digital advertising, product sampling campaigns and influencer marketing, which have propelled the growth in digital revenue across the consolidated entity; and
- A reduction in other income received in H1 FY21 in the form of government grants and tax incentive payments.

The net assets of the consolidated entity increased by \$4,809,328 to \$7,866,500 as at 31 December 2021 (30 June 2021: \$3,057,172).

Significant changes in the state of affairs

On 27 August 2021, the consolidated entity announced it had secured debt facilities totalling \$1.25m with Moneytech, comprising a debtor finance facility and a trade finance facility of \$1,000,000 and \$250,000 respectively.

On 10 September 2021, the consolidated entity announced:

- The conditional agreement to acquire 100% of the ordinary shares of Blue Dinosaur Pty Ltd for up to \$4.0m
- The successful completion of a two-tranche \$5.5m placement to new and existing institutional and sophisticated investors at an issue price of \$0.24 per share
- The launch of a Share Purchase Plan (SPP) to raise up to \$1.0m at the same price as the placement.

On 15 September 2021, 14,583,580 fully paid ordinary shares were issued under Tranche 1 of the placement at a fair value price of \$0.24 (24 cents) per share for a total consideration of \$3.5m.

On 1 October 2021, the consolidated entity announced completion of the acquisition of Blue Dinosaur Pty Ltd and 4,166,667 fully paid ordinary shares were issued (subject to voluntary escrow), at a fair value issue price of \$0.288 (28.8 cents) per share.

On 5 October 2021, the consolidated entity announced \$316,500 was raised under the SPP with 1,318,771 fully paid ordinary shares to be issued on 6 October 2021.

On 11 November 2021, following shareholder approval at the 2021 AGM, 8,333,085 fully paid ordinary shares were issued under Tranche 2 of the placement at a fair value price of \$0.24 (24 cents) per share.

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 half-year.

Subsequent events

No matter or circumstance has arisen since 31 December 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.

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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Hardgrave
Director

28 February 2022
Melbourne

Auditor's independence declaration



Auditor's Independence Declaration to the Directors of Forbidden Foods Limited

In relation to our review of the financial report of Forbidden Foods Limited for the half-year ended 31 December 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.

This declaration is made in respect of Forbidden Foods Limited and the entities it controlled during the financial period.

PKF

PKF
Melbourne, 28 February 2022

Kaitlynn Brady

Kaitlynn Brady
Partner

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Consolidated statement of profit or loss and other comprehensive income

Half-year ended 31 December

	Note	2021 \$	2020 \$
Revenue	3	3,237,992	1,949,754
Other income	4	2,613	170,257
Expenses			
Changes in inventories		928,060	993,637
Raw materials and consumables used		1,051,018	312,256
Employee benefits expense	5	1,028,786	678,687
Freight out and distribution expense		540,330	320,075
Depreciation and amortisation expense	5	93,647	52,910
Marketing and promotion costs		666,100	329,822
Occupancy costs		45,230	28,025
Professional services		399,556	215,723
Corporate expenses		92,246	54,861
Finance costs	5	8,405	724,086
Other expenses		246,686	140,663
Loss before income tax expense		(1,859,460)	(1,730,734)
Income tax expense		-	-
Loss after income tax expense for the half year		(1,859,460)	(1,730,734)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(2,012)	743
Total comprehensive loss for the half year		(1,861,472)	(1,729,991)
Loss per share			
Basic (cents per share)	6	(2.10)	(2.90)
Diluted (cents per share)	6	(2.10)	(2.90)

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

	Note	31 Dec 2021 \$	30 Jun 2021 \$
Assets			
Current assets			
Cash and cash equivalents		2,946,698	1,149,060
Trade and other receivables		1,037,391	522,361
Inventories		2,861,948	1,933,888
Other assets		121,003	120,596
Total current assets		6,967,040	3,725,905
Non-current assets			
Property, plant and equipment		99,456	55,104
Intangible assets	7	3,018,870	129,789
Right-of-use assets	8	364,024	426,424
Other assets		10,863	10,330
Total non-current assets		3,493,213	621,647
Total assets		10,460,253	4,347,552
Liabilities			
Current liabilities			
Trade and other payables		1,100,676	705,325
Employee benefits		281,475	139,785
Lease liabilities	9	122,401	117,394
Income tax		6,276	-
Contingent consideration	12	800,000	-
Total current liabilities		2,310,828	962,504
Non-current liabilities			
Employee benefits		18,607	1,523
Lease liabilities	9	264,318	326,353
Total non-current liabilities		282,925	327,876
Total liabilities		2,593,753	1,290,380
Net assets/(liabilities)		7,866,500	3,057,172
Equity			
Issued capital	10	15,346,088	8,731,675
Reserves	11	637,190	582,815
Retained losses		(8,116,778)	(6,257,318)
Total equity		7,866,500	3,057,172

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

Consolidated statement of changes in equity

For the half-year ended 31 December

Consolidated	Issued capital \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2021	8,731,675	582,815	(6,257,318)	3,057,172
Loss for the period	-	-	(1,859,460)	(1,859,460)
Other comprehensive loss	-	(2,012)	-	(2,012)
Total comprehensive income/(loss)	-	(2,012)	(1,859,460)	(1,861,472)
<i>Transactions with owners:</i>				
Contributions of equity, net of transaction costs	5,414,413	-	-	5,414,413
Issue of shares to the vendor as part consideration for the Blue Dinosaur acquisition	1,200,000	-	-	1,200,000
Share-based payments	-	56,387	-	56,387
Balance at 31 December 2021	15,346,088	637,190	(8,116,778)	7,866,500

Consolidated	Issued capital \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2020	586,451	103,847	(2,801,398)	(2,111,100)
Loss for the period	-	-	(1,730,734)	(1,730,734)
Other comprehensive income	-	743	-	743
Total comprehensive income/(loss)	-	743	(1,730,734)	(1,729,991)
<i>Transactions with owners:</i>				
Contributions of equity, net of transaction costs	8,145,224	-	-	8,145,224
Share-based payments	-	421,250	-	421,250
Balance at 31 December 2020	8,731,675	525,840	(4,532,132)	4,725,383

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

Consolidated statement of cash flows

For the half-year ended 31 December

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		3,141,219	1,919,652
Payments to suppliers and employees		(4,712,226)	(3,969,099)
Interest paid		100	(1,141)
Income taxes		-	4,434
Other income		-	170,257
Net cash used in operating activities		(1,570,907)	(1,875,897)
Cash flows from investing activities			
Payments for intangibles		(35,137)	(55,472)
Payments for property, plant and equipment		(54,814)	(38,817)
Payments for acquisition, net of cash acquired	12	(1,797,257)	-
Proceeds from disposal of property, plant and equipment		2,600	-
Other investing cashflows		(96,641)	-
Net cash used in investing activities		(1,981,249)	(94,289)
Cash flows from financing activities			
Proceeds from issue of shares		5,816,499	6,000,200
Finance costs		-	(42,115)
Capital raising costs		(401,086)	(992,712)
Repayment of lease liabilities		(65,432)	(31,337)
Net cash from financing activities		5,349,981	4,934,036
Net increase in cash and cash equivalents		1,797,825	2,963,850
Cash and cash equivalents at the beginning of the financial year		1,149,060	136,308
Effects of exchange rate changes on cash and cash equivalents		(187)	98
Cash and cash equivalents at the end of the financial year		2,946,698	3,100,256

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

Notes to the financial statements

For the half-year ended 31 December 2021

Note 1. Basis of accounting

(a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 half-year ended 31 December 2021 of \$1,859,460 (31 December 2020: \$1,730,734), and operating cash outflows of \$1,570,907 (31 December 2020: 1,875,897) with a net asset position at 31 December 2021 of \$7,866,500 (30 June 2021: 3,057,172).

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

- The performance of the consolidated entity for the half-year ended 31 December 2021 including:
 - one-off capital raising costs in relation to the placement and share purchase plan;
 - one-off costs incurred in relation to the acquisition of Blue Dinosaur Pty Ltd;
 - non-cash items including depreciation and amortisation and share-based payments; and
- at 31 December 2021 there was \$1.36m in unused financing facilities available to the consolidated entity.

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

(b) Changes in accounting policies and disclosures

The interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read with, the financial statements and related notes included in the consolidated entity's annual report for the year ended 30 June 2021, unless otherwise stated.

(c) Critical accounting estimates

The same significant judgements, estimates, and assumptions included in the notes to the financial statements in the consolidated entity's annual report for the year ended 30 June 2021 have been applied to these interim financial statements, unless otherwise stated.

The consolidated entity has continued to consider the impacts of COVID-19 on the judgements, estimates, and assumptions used, and determined there were no material adverse impacts on the interim financial statements. As events continue to evolve and additional information becomes available, the consolidated entity's judgements, estimates, and assumptions may change in future periods.

Notes to the financial statements

Continued

Note 2. 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.

Note 3. Revenue

Six months ended 31 December	2021 \$	2020 \$
Revenue from contracts with customers		
Sale of goods	3,237,992	1,949,754
Total revenue	3,237,992	1,949,754

Disaggregation of revenue from contracts with customers is as follows:

Six months ended 31 December	2021 \$	2020 \$
Geographical regions		
Australia	2,864,769	1,893,821
New Zealand	53,157	55,933
China and South-East Asia	294,824	-
United States	25,242	-
Total revenue	3,237,992	1,949,754

Note 4. Other income

Six months ended 31 December	2021 \$	2020 \$
Cash flow boost payment	-	50,000
Research and development tax incentive	-	115,090
Profit on disposal of property, plant and equipment	2,500	-
Other income	113	5,167
Total other income	2,613	170,257

Note 5. Expenses

Six months ended 31 December	2021 \$	2020 \$
Loss before income tax includes the following specific items:		
Employee benefits expense		
Salaries and wages	759,809	510,306
Superannuation	79,942	54,075
Share-based payments	56,388	46,051
Non-executive director fees	54,545	48,706
Other employee related expenses	78,102	19,549
Total employee benefits expense	1,028,786	678,687
Depreciation and amortisation expense		
Depreciation of right-of-use assets	62,400	41,081
Depreciation of plant and equipment	13,839	4,393
Amortisation of intangible assets	17,408	7,436
Total depreciation and amortisation expense	93,647	52,910
Finance costs		
Debtor finance fees	-	25,995
Interest on convertible notes	-	13,153
Interest on lease liabilities	8,405	246
Listing costs	-	439,526
Trade finance fees	-	16,120
Unwinding of discount on convertible notes	-	227,904
Other interest	-	1,142
Total finance costs	8,405	724,086

Notes to the financial statements

Continued

Note 6. Loss per share

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

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

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

Six months ended 31 December	2021 \$	2020 \$
Net loss attributable to the owners of Forbidden Foods Limited	(1,859,460)	(1,730,734)
	(1,859,460)	(1,730,734)

	2021 No.	2020 No.
Weighted average number of ordinary shares for calculating basic and diluted loss per share	88,343,905	59,705,490
Weighted average number of ordinary shares for calculating basic and diluted loss per share	88,343,905	59,705,490

Six months ended 31 December	2021 Cents	2020 Cents
Basic loss per share	(2.10)	(2.90)
Diluted loss per share	(2.10)	(2.90)

Note 7. Intangibles

	At 31 Dec 2021 \$	At 30 Jun 2021 \$
Goodwill	2,843,272	-
Trademarks	91,265	62,601
Website	59,603	67,188
Total intangibles	2,994,140	129,789

Movements in each class of intangible during the period are set out below:

	Goodwill \$	Trademarks \$	Website \$	Total \$
Balance at 1 July 2021	-	62,601	67,188	129,789
Additions	2,868,002	38,487	-	2,906,489
Amortisation expense	-	(9,823)	(7,585)	(17,408)
Balance at 31 December 2021	2,868,002	91,265	59,603	3,018,870

Significant accounting policies relating to intangibles

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(a) Goodwill

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

(b) Trademarks

Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

(c) Websites

Significant costs associated with websites are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Significant accounting judgements, estimates and assumptions

Estimation of useful lives of intangible assets

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1 of the annual financial report. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Notes to the financial statements

Continued

Note 8. Right-of-use assets

	At 31 Dec 2021 \$	At 30 Jun 2021 \$
Right-of-use assets	364,024	426,424
Total right-of-use assets	364,024	426,424

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

	Right-of-use assets \$
Balance at 1 July 2021	426,424
Additions	-
Depreciation	(62,400)
Balance at 31 December 2021	364,024

Note 9. Lease liabilities

	At 31 Dec 2021 \$	At 30 Jun 2021 \$
Current		
Lease liabilities	122,401	117,394
Non-current		
Lease liabilities	264,318	326,353
Total lease liabilities	386,719	443,747

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

	Lease liabilities \$
Balance at 1 July 2021	443,747
Additions	-
Accretion of interest	8,405
Payments	(65,433)
Balance at 31 December 2021	386,719

Note 10. Issued capital

	At 31 Dec 2021 \$	At 30 Jun 2021 \$
Ordinary shares – fully paid	15,346,088	8,731,675
Total issued capital	15,346,088	8,731,675

Movements in ordinary share capital during the period are set out below:

	Number of shares	Share capital \$
Fully paid ordinary shares		
Balance at 30 June 2021	75,000,999	8,731,675
Issue of ordinary shares – Acquisition of Blue Dinosaur Pty Ltd	4,166,667	1,200,000
Issue of ordinary shares – Placement Tranche 1	14,583,580	3,500,059
Issue of ordinary shares – Placement Tranche 2	8,333,085	1,999,940
Issue of ordinary shares – Share Purchase Plan	1,318,771	316,500
Deregistration of Forbidden Foods Property Holdings Pty Ltd	-	(1,000)
Share issue costs	-	(401,086)
Balance at 31 December 2021	103,403,102	15,346,088

Note 11. Reserves

	At 31 Dec 2021 \$	At 30 Jun 2021 \$
Foreign currency translation reserve	(904)	1,109
Share-based payments reserve	638,094	581,706
Total reserves	637,190	582,815

Movements in each class of reserve during the period are set out below:

	Foreign currency \$	Share-based payments \$	Total \$
Balance at 1 July 2021	1,109	581,706	582,815
Foreign currency translation	(2,013)	-	(2,013)
Share-based payments – key management personnel	-	56,388	56,388
Balance at 31 December 2021	(904)	638,094	637,190

Notes to the financial statements

Continued

Note 12. Business combinations

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

Details of the acquisition are as follows:

	Fair value \$
Consideration transferred	
Amount settled in cash, after net debt and working capital adjustment	1,787,427
Fair value of ordinary shares issued	1,200,000
Fair value of contingent consideration	800,000
Fair value of consideration transferred	3,787,427
Provisional fair values of the identifiable net assets	
Cash and cash equivalents	202,743
Trade and other receivables	170,199
Inventories	842,814
Property, plant and equipment	3,377
Intangible assets	3,350
Trade and other payables	(176,972)
Employee benefits	(117,955)
Income tax payable	(6,276)
Other liabilities	(1,855)
Net assets acquired	944,155
Provisional goodwill	2,868,002
Provision acquisition-date fair value of the total consideration transferred	3,787,427

(a) Consideration transferred

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

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

(b) Identifiable net assets

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

(c) Goodwill

Goodwill of \$2,868,002 was primarily related to the company's growth expectations through customer expansion.

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

(d) Contingent consideration

The share purchase agreement included a contingent consideration element by way of an earn-out structure based upon the revenue in the 12 months commencing from the acquisition completion date exceeding \$3,750,000. The earnout consideration totals \$800,000 cash and is payable within 30 calendar days after the earnout revenue target is achieved and verified. At the date of the acquisition, the Board and management have assessed the likelihood of achieving the relevant revenue target as more likely than not with \$800,000 contingent consideration recognised (classified as current).

(e) Contribution to the consolidated entity's results

Blue Dinosaur contributed revenues of \$753,347 to the consolidated entity from the date of the acquisition to 31 December 2021. If the acquisition occurred on 1 July 2021, the full half-year contribution would have been revenues of \$1,294,287.

(f) Acquisition-related costs

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

Significant accounting policies

Business combinations

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

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

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

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

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

Notes to the financial statements

Continued

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

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

Significant accounting judgements, estimates and assumptions

Business combinations

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

Note 13. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2021 (30 June 2021: nil).

Note 14. Subsequent events

No matter or circumstance has arisen since 31 December 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.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Report', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mark Hardgrave
Director

28 February 2022

Independent auditor's review report



Independent Auditor's Review Report to the Members of Forbidden Foods Limited Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Forbidden Foods Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Forbidden Foods Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's consolidated financial position as at 31 December 2021 and its consolidated financial performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF
Melbourne, 28 February 2022

Kaitlynn Brady
Partner

Corporate directory

Principal place of business

16/663 Victoria Street
Abbotsford VIC 3067

Directors

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

Chief Financial Officer

Sam Fraser

Company Secretary

Adam Soffer

Auditor

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Registry

[Automic Pty Ltd](#)

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Stock exchange listing

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

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