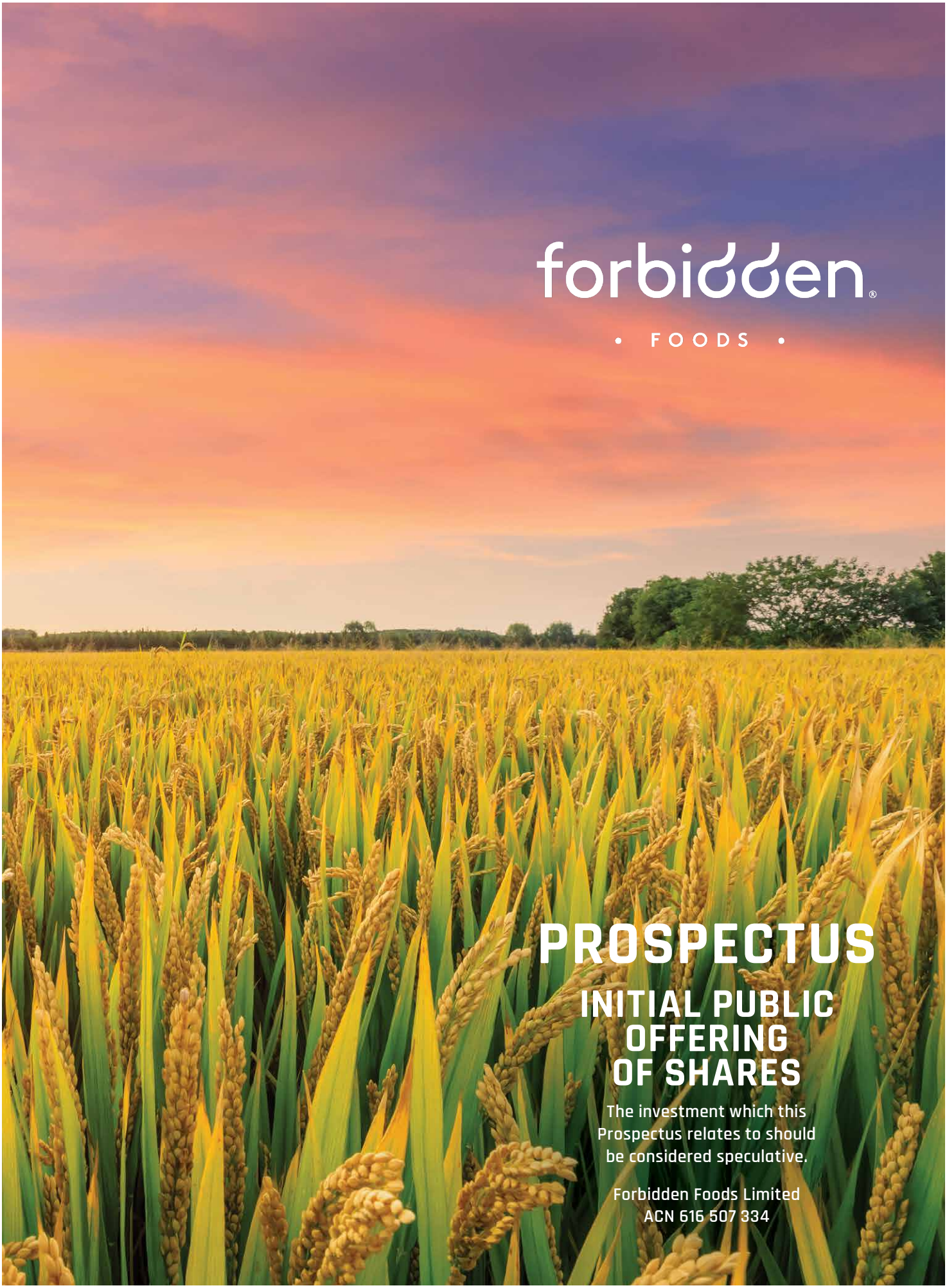


PROSPECTUS

INITIAL PUBLIC OFFERING OF SHARES

The investment which this Prospectus relates to should be considered speculative.

Forbidden Foods Limited
ACN 616 507 334

Lead Manager:

BW EQUITIES

IMPORTANT NOTICES

The Offer

This Prospectus is issued by Forbidden Foods Limited (ACN 616 507 334) (**Company** or **Forbidden Foods**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company (**Offer**).

Lodgement and Listing

This replacement prospectus is dated 21 July 2020 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It is a replacement prospectus, which replaces the prospectus dated 14 July 2020 which was lodged with ASIC on that date (**Original Prospectus**). For the purposes of this document, this replacement prospectus will be referred to as the **Prospectus**.

This Prospectus provides additional disclosure regarding the number of Shares that are subject to voluntary escrow restrictions.

The Company applied to the Australian Securities Exchange (**ASX**) for admission of the Company to the Official List and quotation of its Shares on the ASX on 17 July 2020. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Expiry Date

This Prospectus expires on the date that is 13 months after the date of the Original Prospectus (**Expiry Date**) and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information in this Prospectus is not investment or financial product advice and does not take into account your investment objectives, financial circumstances, tax position or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. There are risks associated with an investment in the Shares and the Shares offered under this Prospectus should be regarded as a speculative investment.

In particular, you should consider the risk factors that could affect the performance of the Company and other information in this Prospectus. You should carefully consider these risks in light of your personal circumstances (including your investment objectives, financial circumstances and tax position) and seek professional guidance from your stockbroker, accountant, lawyer or other professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus when deciding whether to invest in the Company.

Financial Information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information.

The Financial Information included in Section 4 has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**), which are consistent with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board and the accounting policies of the Company.

All financial amounts contained in this Prospectus are expressed in Australian currency and are rounded to the nearest $1.00 (unless otherwise stated). Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding. Tables and figures contained in this Prospectus have not been amended by the Company to correct immaterial summation differences that may arise from this rounding convention.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to the information in Section 4, the risk factors in Section 5 and the Independent Limited Assurance Report in Section 8. Where Financial Information and metrics represent pro forma amounts, they have been labelled pro forma.

Forward-looking statements

This Prospectus contains forward-looking statements including the Forecast Financial Information in Section 4, which may be identified by words such as forecasts, may, could, believes, estimates, expects, intends, considers and other similar words that involve known or unknown risks and uncertainties.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual results, performance, events or outcomes to differ materially from the results, performance, events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company and the Directors. Such forward-looking statements are based on an assessment of present economic and operating conditions and a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. The forward-looking statements should be read in conjunction with, and are qualified by reference to the assumptions contained in the Forecast Financial Information, the risk factors as set out in Section 5 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. Except where required by law, the Company does not intend to update or revise forward-looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

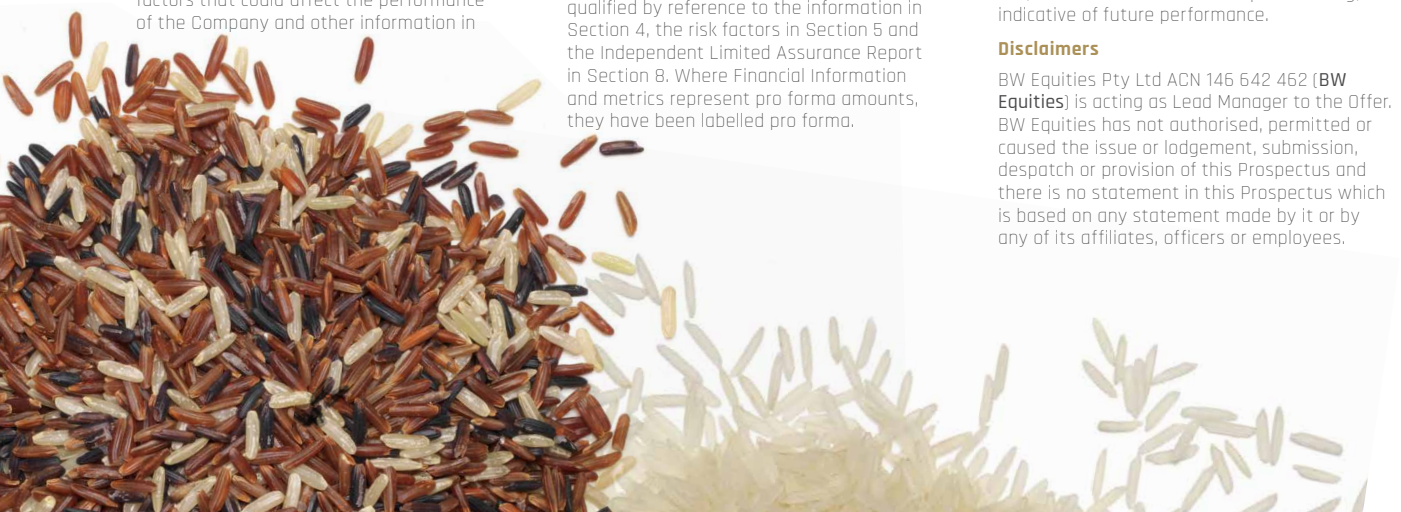
This Prospectus uses market data and third-party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third-party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates and projections involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Statements of past performance

This Prospectus includes information regarding past performance of the Company. Investors should be aware that past performance is not, and should not be relied upon as being, indicative of future performance.

Disclaimers

BW Equities Pty Ltd ACN 146 642 462 (**BW Equities**) is acting as Lead Manager to the Offer. BW Equities has not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by it or by any of its affiliates, officers or employees.





To the maximum extent permitted by law, BW Equities and its affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to its name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, any person in the United States. In particular, the Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (US Securities Act), or the securities laws of any state of the United States and may not be offered or sold in the United States unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available. See Section 7.8 for more details on the selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven-day period after lodgement of the Original Prospectus (Exposure Period). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The Exposure Period enables the Prospectus to be examined by market participants prior to the processing of Applications. The Exposure Period will expire on 21 July 2020 unless extended by ASIC. Applications received during the Exposure Period will not be processed by the Company until after the expiry of the Exposure Period and will not receive any preference.

Prospectus availability

During the Offer Period, a paper copy of this Prospectus is available free of charge to Australian resident investors by calling the Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5415 (outside Australia) from 9:00 am to 5:00 pm (Melbourne time), Monday to Friday (excluding public holidays). This Prospectus is also available to Australian resident investors in electronic form at the Offer Website, www.forbiddenfoodsgroup.com/IPO.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction, except Institutional Investors in certain other jurisdictions. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

Applications

Applications may only be made during Offer Period in respect of the Offer by completing an Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from the Offer Website. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Offer management

The Offer is being arranged and lead managed by BW Equities. The Offer is not underwritten.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Definitions

Defined terms and expressions used in this Prospectus are explained in the Glossary at Appendix B. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Melbourne, Victoria (Melbourne time).

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act. If you do not provide the information requested in an Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, that it considers may be of interest to you. Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with applicable laws. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company's register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments (if applicable) and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

The Share Registry's complete privacy policy is available at the Share Registry's website https://www.automicgroup.com.au/privacy-policy/. Queries regarding the Share Registry's privacy policy may also be emailed to alistair.mckeough@automicgroup.com.au.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Independent Limited Assurance Report

The Investigating Accountant has prepared the Independent Limited Assurance Report in relation to the Financial Information. The Independent Limited Assurance Report is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call the Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5415 (outside Australia) from 9:00am to 5:00pm (Melbourne time), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 and on the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your stock broker, accountant, lawyer or other professional adviser.

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KEY OFFER INFORMATION

OFFER STATISTICS

Offer Price	$0.20 per Share
Number of Shares offered under the Offer	30,000,000
Gross proceeds of the Offer	$6.0 million
Total number of Shares issued on conversion of the Convertible Notes[1]	15,245,291
Number of Shares held by Existing Shareholders at the Prospectus Date[2]	26,448,630
Number of Adviser Shares to be issued[3]	3,306,078
Number of Shares to be issued under the Cleansing Offer	1,000
Total number of Shares on issue on Completion of the Offer	75,000,999
Market capitalisation at the Offer Price[4]	$15.0 million
Enterprise Value[5]	$9.0 million
Enterprise Value/FY2020 forecast pro forma revenue[5]	2.19x
Expected free float on Completion of the Offer[7]	55.8%

The capital structure of the Company as disclosed in this Prospectus assumes that Completion of the Offer, and conversion of the Convertible Notes, occurs on 25 August 2020. If this date is extended or delayed, additional Shares will be issued on conversion of the Convertible Notes (representing the interest that accrues over the period of extension or delay). See Section 9.4.2 for further details.

1. The Convertible Noteholders will acquire Shares at an offer price of $0.14 per Share. See Section 9.4.
2. Shares held by Existing Shareholders will be subject to escrow arrangements as described in Section 9.7.
3. See Sections 9.5.1 and 9.5.2.
4. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on Completion of the Offer.
5. Enterprise Value is equal to the market capitalisation of the Company less the gross proceeds from the Offer.
6. FY2020 forecast pro forma revenue is $4,117,706.
7. Free float is calculated as the percentage of Shares on Completion of the Offer that are not subject to voluntary or mandatory escrow (see Section 9.7) nor held by Directors or affiliated Shareholders of the Company.

KEY OFFER INFORMATION

KEY DATES

Prospectus Date	Tuesday, 21 July 2020
Offer and Cleansing Offer open (**Opening Date**)	Wednesday, 22 July 2020
Offer closes and Applications due (**Closing Date**)	Friday, 14 August 2020
Settlement of the Offer	Friday, 21 August, 2020
Issue of Shares under the Offer (**Completion of the Offer**)	Tuesday, 25 August 2020
Cleansing Offer closes (**Cleansing Offer Closing Date**)	Wednesday, 26 August 2020
Expected despatch of holding statements	Wednesday, 26 August 2020
Shares expected to begin trading on ASX on a normal settlement basis	Monday, 31 August 2020

DATES MAY CHANGE

The dates above are indicative only and may change. Unless indicated otherwise, all dates and times are the date and time in Melbourne. The Company (in consultation with the Lead Manager) reserves the right to vary the dates of the Offer without prior notice (subject to the ASX Listing Rules, the Corporations Act and other applicable laws), including to close the Offer early, extend the date the Offer closes, to accept late Applications or to withdraw the Offer before Completion of the Offer (in each case without notifying any recipient of the Prospectus or any Applicant).

HOW TO INVEST

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for Shares in the Offer are set out in Sections 7.3 and 7.4 and on the back of the Application Form.



CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors I am pleased to offer you the opportunity to become a Shareholder of Forbidden Foods Limited.

Forbidden Foods operates in the Food and Beverage Industry in Australia, producing healthy food products under three primary brands – Forbidden, Sensory Mill and Funch. Founded in 2010, Forbidden Foods launched its flagship product 'Black Rice' in Australia in 2012. Recognising the opportunity to build a strong brand-led food business by introducing unique rice varieties into Australia and New Zealand, Forbidden Foods launched its Green Rice and Red Rice products in 2013.

By 2016, Forbidden Foods had expanded its operations, establishing a New Zealand distribution centre and supplying a variety of rice and rice flour products. In 2018, Forbidden Foods successfully expanded the existing Australian rice flour accessible market from 3 types of flour to 35. Today, Forbidden Foods has a diverse health foods retail and food service range and exports to customers in New Zealand, Ireland, Singapore and the United States.

Forbidden Foods has a diverse range of customers within the Food and Beverage Industry operating within retail (major and independent), food service, food manufacturing and quick service restaurants. Through its distribution channels, the Company has access to over 3,500 retailers, 500 food service and QSR customers.

Forbidden Foods operates in the Organic Food, Healthy Snack, Baby Food and Industrial Food Service and Food Manufacturing segments of the Food and Beverage Industry. The demand for healthy, better-for-you food products is expected to increase and Forbidden Foods considers that it is well placed to establish and grow its market share in its targeted sectors of the Food and Beverage Industry.

Forbidden Foods is led by an experienced Management team and highly capable Board, with a demonstrated track record in the Food and Beverage Industry, relevant business knowledge, financial management, corporate strategy and corporate governance experience.

There is much to be excited about in the near future for Forbidden Foods. The Company aims to launch new product lines, increase its existing market penetration and broaden its international focus. Forbidden Foods is currently in the process of launching a new Funch range of 100% Australian-made Baby Food products, suitable for both domestic distribution and distribution into Asia. Management will continue to utilise their skills in identifying key consumer trends for specialty food products and drive growth by exploiting new opportunities they identify within the Food and Beverage Industry.

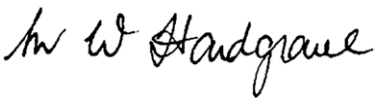
The Company is seeking to raise $6 million, through the issue of 30,000,000 Shares at the Offer Price of $0.20 per Share. This is in addition to $2,000,000 raised in December 2019 and January 2020 through the issue of Convertible Notes (see Section 9.4). The Offer Proceeds will be used primarily to fund sales, marketing and brand development costs. On Completion of the Offer, Successful Applicants will hold 40% of the Shares and Existing Shareholders, Convertible Noteholders, the Lead Manager and the Corporate Adviser will hold 60% of the Shares.

This Prospectus contains detailed information about the Offer, the Food and Beverage Industry, the Company's operations, financial position and performance and key personnel. It also provides detailed information on the risks associated with an investment in Shares, which are set out in Section 5. Key risks include the reliance on third party raw material and manufacturing suppliers, the risk of adverse changes to foreign exchange rates, the Company's reliance on sales channels and relationships with key customers and the fact that the Company – like other participants in the Food and Beverage Industry – does not have fixed contracts in place with key customers.

I encourage you to read this Prospectus in detail before making an investment decision.

On behalf of the Board, I look forward to welcoming you as a Shareholder of Forbidden Foods.

Yours faithfully,



Mark Hardgrave
Chairman



1. INVESTMENT OVERVIEW

1. INVESTMENT OVERVIEW

1.1 INTRODUCTION

TOPIC	SUMMARY	FOR MORE INFORMATION
Who is Forbidden Foods?	Forbidden Foods is a diverse multi-brand food and beverage company focusing on the wellness and organic markets, with various national and international sales channels. The Company produces healthy food products under three primary brands – Forbidden, Sensory Mill and Funch. Forbidden Foods was established in 2010 with a vision to provide Australia with the very best health foods and to meet growing consumer demand for differentiated, health-orientated products. Forbidden Foods recognised the demand for healthy, better-for-you food products and its brands are attractive to health conscious consumers who demand premium products.	Section 3.1
What industry and markets does the Company operate in?	Forbidden Foods operates in the Food and Beverage Industry in Australia. The Food and Beverage Industry is a broad industry: the market segments that Forbidden Foods operates in are Organic Foods, Healthy Snacks, Baby Foods and Industrial Food Service and Food Manufacturing.	Section 2.1
What is Forbidden Foods' business model?	Forbidden Foods' business model is an asset-light, flexible production model that allows it to outsource manufacturing and packaging to appropriate suppliers. Rather than having contract manufacturers source raw materials, Forbidden Foods has strategically identified and established a broad network of international and Australian suppliers that the Company engages directly when sourcing raw materials for its products. This permits Forbidden Foods to have control over the supply chain, raw material cost, product quality, recipe, brand and any other intellectual property relating to the products that are produced, without having to invest substantially into supply chain capital expenditure. Forbidden Foods utilises trusted leading manufacturing partners with the necessary certifications and expertise to produce high quality food products that can be distributed to channel partners and ultimately end consumers.	Section 3.2
What are Forbidden Foods' products?	Forbidden Foods' products fall under the following broad market segments: 1. Organic Foods; 2. Healthy Snacks; 3. Baby Foods; and 4. Industrial Food Service and Food Manufacturing. Each of the Company's brands produces a variety of products: • Forbidden produces 3 groups of products – wholegrain products, which includes the core and microwaveable rice range, a sweet and savoury snack product range and a flour range comprising rice flour, mixes and blends. • Sensory Mill products include grains, cereals, powders, flours, fruits and nuts. • Funch products are DIY cooking mixes comprising snack mixes and baking mixes as well as a range of gut health smoothie blends. Funch is launching a Baby Foods range in the second half of 2020, which will include baby and infant fruit and grain purees and foods.	Section 3.4

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the Offer?	The Offer is an initial public offering of 30,000,000 Shares by the Company at the Offer Price of $0.20 per Share to raise gross proceeds of $6.0 million. All Shares issued pursuant to this Prospectus will, from the time that they are issued and allotted, rank equally with all other Shares on issue at that time.	Section 7.1
Why is the Offer being conducted?	The purpose of the Offer is to: • provide Forbidden Foods access to capital markets, which it expects will provide additional financial flexibility to pursue further growth opportunities; • achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; • assist Forbidden Foods in attracting and retaining high quality staff; and • increase brand awareness that may arise from being a listed entity.	Section 7.1.3

1.2 BACKGROUND ON THE FOOD AND BEVERAGE INDUSTRY

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the Food and Beverage industry?	The Food and Beverage Industry represents food and beverage products sold to customers. From production, processing, manufacturing, packaging and retail, the Food and Beverage Industry is a major sector of the Australian economy, in terms of its size, its financial contribution and employment[8].	Section 2.1
What is the size of the Food and Beverage industry?	The Food and Beverage Industry is highly fragmented but can be divided into two broad categories: 1. the retail category, which was estimated to have generated $115 billion (67%) of revenue in Australia in 2017; and 2. the food service and wholesale category, which was estimated to have generated $57 billion (33%) of revenue in Australia in 2017[9]. The promotion of healthy lifestyles together with growing disposable income levels, food safety concerns and a focus on environmental sustainability has increased the demand for organic, clean, healthy and natural foods.	Section 2.1

8. Austrade – no date reference – https://www.austrade.gov.au/International/Buy/Australian-industry-capabilities/food-and-beverage.
9. New Zealand Trade and Enterprise, The Australian Food and Beverage Landscape, pg 3-4, 2018 – https://www.nzte.govt.nz/-/media/NZTE/Downloads/Regional-downloads/AusPac/Australian-food-and-beverage-landscape.pdf

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What sectors of the Food and Beverage Industry does the Company operate in?	The relevant Food and Beverage market segments that Forbidden Foods operates in are: • **Organic Foods:** Food products grown and produced without the use of chemical fertilisers, pesticides or artificial chemicals. • **Healthy Snacks:** Part of the broader Snack Food Production industry, producing health snack foods that have high nutritional value, such as muesli bars, protein bars and dried fruit and nuts. • **Baby Foods:** Nutritional products for infants and small children. • **Industrial Food Service and Food Manufacturing:** Industrial food production that supply commercial food sectors including cafes, full service restaurants, hotels, QSR chains and caterers.	Sections 2.1 – 2.6
What key industry trends are relevant for Forbidden Foods?	The promotion of healthy lifestyles together with growing disposable income levels, food safety concerns and a focus on environmental sustainability has increased the demand for organic, clean, healthy and natural foods. Given these broad trends, Forbidden Foods' core strategy is to target retail buyers with existing and new lines of its Organic Food products, Healthy Snacks and Baby Foods, and to target wholesale channels such as Industrial Food Service and Food Manufacturers to buy its healthy food products in bulk. Each of these market segments represent a significant market in Australia and overseas.	Section 2.1
Who are the Company's key competitors?	The Company's competitors include a wide range of brands producing products within the competitive Healthy Snack, Organic Foods and Baby Foods markets. The Industrial Food Service and Food Manufacturing market in Australia is highly fragmented with no dominant competitor.	Sections 2.3.4, 2.4.3, 2.5.3 and 2.6.3

1.3 KEY FEATURES OF FORBIDDEN FOODS' BUSINESS MODEL

TOPIC	SUMMARY	FOR MORE INFORMATION
How does Forbidden Foods generate revenue?	Forbidden Foods generates revenue through the supply of its products in Australia and internationally through its various distribution channels – direct to retailers, direct to food service companies such as QSRs and industrial food manufacturers and through distributors who sell the Company's products to end businesses. In FY2019, the gross revenue for the Forbidden Foods Group was $3,429,344 and the pro forma gross revenue is forecast to be $4,117,706 in FY2020. In FY2019, Forbidden Foods derived approximately 90% of its revenue in Australia and approximately 10% in export markets. An additional growth opportunity is to target increased export growth, leveraging the appeal of Australian food products overseas.	Sections 2.1 and 3.2
Who are Forbidden Foods' customers?	Forbidden Foods has a diverse range of customers within the Food and Beverage Industry operating within retail (major and independent), food service, food manufacturing and QSRs. Through its network of 26 distributors, the Company has access to over 3,500 retailers and 500 food service and QSRs as potential customers. Since 1 January 2019, Forbidden Foods has supplied directly to 159 customers and 14 major food manufacturers.	Section 3.3

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What is Forbidden Foods' growth strategy?	Forbidden Foods' strategy is to establish and grow its market share in order to grow its revenues and generate profits. The Company aims to achieve this strategy by: • launching a new Funch baby foods product line; • expanding product development and innovation; • increasing its existing market penetration • increasing its online presence; and • broadening its international focus.	Section 3.8
How does Forbidden Foods expect to fund its operations?	Forbidden Foods' principal source of funds is expected to be cash flow generated from operations and cash on hand, together with the net proceeds of the Offer.	Section 4.4.1
What is Forbidden Foods' pro forma historical financial performance?	This is described in Sections 4.3 and 4.5.	Sections 4.3 and 4.5
What is Forbidden Foods' pro forma forecast financial performance?	This is described in Sections 4.3 and 4.5.	Sections 4.3 and 4.5
What is Forbidden Foods' dividend policy?	The payment of dividends by the Company is at the complete discretion of the Directors. Given the stage of development of the Company, the Directors have no current intention to declare and pay a dividend. In determining whether to declare future dividends, the Directors will have regard to Forbidden Foods' earnings, overall financial condition, capital requirements and the level of franking credits available. There is no certainty that the Company will ever declare and pay a dividend.	Section 4.10
Will the Company be adequately funded on Completion of the Offer?	The Directors believe that following Completion of the Offer, the Company will have sufficient working capital to fulfil the purposes of the Offer and carry out its stated business objectives.	Section 7.1.7

1. INVESTMENT OVERVIEW

1.4 KEY STRENGTHS

TOPIC	SUMMARY	FOR MORE INFORMATION
Operates in growing segments of the Food and Beverage Industry	With a differentiated product range with consumer appeal in the growing Organic Food, Healthy Snack and Baby Food market segments, Forbidden Foods believes it is well placed to compete and capture market share.	Sections 2.2 – 2.6 and 3.4
Supplier of premium brands	Forbidden Foods recognised the demand for healthy, better-for-you food products and its brands are attractive to health conscious end consumers who demand premium products. Forbidden Foods has been supplying premium foods such as its black rice product since 2012.	Sections 2.4.2, 2.8 and 3.7
New product development	The Company is known for its differentiated products and exotic ingredients. This advantage is maintained by identifying key trends in food, for instance black rice and gluten-free rice flours. In recent years, the Company has identified Healthy Snacks and Organic Foods as key segments to develop for the retail market. In the near term, the Company plans to launch its Funch organic and natural Baby Food range to markets in Asia where: (a) demand for infant foods, (b) food provenance, and (c) 'Brand Australia' products are key drivers of demand. Forbidden Foods continues to assess and develop new product opportunities with the aim of increasing awareness of, and accessibility of, health food products. A broader product range will enable the Company to target a wider range of end customers and reduce product concentration risk.	Sections 3.4.4 and 3.7
Certified organic	Forbidden Foods has certified organic production for its Forbidden bulk rice products. This ensures these products can be sold at a higher price than standard rice, and is desirable to health and sustainability conscious consumers. The Company will seek to extend its certified organic status to additional products and brands where feasible.	Sections 2.3, 3.7 and 9.5.9.2
Broad customer base	The Company supplies, directly and through distributors, a broad range of major retailers, independent retailers, food service and food manufacturing operators and QSRs. Each customer provides an opportunity for additional sales while reducing concentration risk.	Sections 3.3 and 3.7
Established scalable and sustainable supply chain and multi-distribution network	The Forbidden Foods business model is an asset-light, flexible production model that allows it to outsource manufacturing and packaging to key groups whose expertise, facilities and management believes are the best quality for cost.	Sections 3.2 and 3.7
Management expertise and experience	Management has been operating the business successfully for the past 10 years and have the abilities, network and know-how to execute on the Company's growth plan.	Sections 3.7, 6.1 and 6.2
Attractive international growth opportunities	The market segments that Forbidden Foods competes in are significant markets in Australia and are expected to experience growth globally, particularly the Baby Foods sector, which is expected to grow significantly from large emerging markets in China and South-East Asia.	Sections 2.1 – 2.6 and 3.7

1.5 KEY RISKS

TOPIC	SUMMARY	FOR MORE INFORMATION
Reliance on third party raw material and manufacturing suppliers	Forbidden Foods relies on the availability of supply of raw materials, including organic raw materials, to meet the current and expected growth in demand for its products. Forbidden Foods' business model relies on outsourcing key raw materials to third party suppliers, in particular approximately 25% of rice supply is sourced from Dalian HongRen Wholegrain Foodstuff Co Ltd located in Dalian, China. In addition to raw materials, Forbidden Foods also sources product packaging from China and other countries in Asia, and engages contract manufacturers in Australia to manufacture and pack its products. Forbidden Foods may experience disruptions to its supply chain, for example as a result of a shortage of suitable organic-certified raw materials, a virus or disease outbreak (such as COVID-19), quality control or certification issues or a production outage. Any such disruption could have a material adverse impact on Forbidden Foods' ability to source suitable raw materials and manufacture its products to meet current and anticipated future consumer demand.	Section 5.2.1
Foreign exchange risk	Forbidden Foods sources its raw materials primarily from China, and pays for it in United States dollars. The Company's manufacturing expenses are typically incurred in Australian dollars and the Company generates revenue in a range of currencies, including Australian dollars, United States dollars and New Zealand Dollars. The Company's financial statements are presented in Australian dollars, and therefore the Company must translate its assets, liabilities, revenue and expenses into Australian dollars for external reporting purposes.	Section 5.2.2
Reliance on sales channels and key customers	Forbidden Foods distributes its products to end consumers through various sales channels. The Company depends on continued access to its sales channels and its relationships with its current customers, many of which are not contracted. There can be no guarantee that the Company's relationships with key customers and channel partners will continue or, if they do continue, that they will purchase the same, similar or greater quantities of Forbidden Foods' products as they have historically.	Section 5.2.3
No contracts with key customers	Forbidden Foods' performance and growth is dependent on maintaining its existing customers and securing new customers. In FY2019, a significant proportion of Forbidden Foods' revenue was generated from uncontracted customer relationships, using the Company's or the customer's standard terms and conditions and purchase orders and invoices. This is consistent with many suppliers in the Food and Beverage Industry. The Company's supply arrangements typically have no minimum volume requirements and can be varied or terminated by the customer on short notice (or no notice) and without penalty. There is a risk that the Company will be unable to maintain its uncontracted customers, or secure new customers, on commercially viable terms. In addition, there is no certainty as to the volume, price and frequency of any future sales from uncontracted customers.	Section 5.2.4

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Forbidden Foods operates in a competitive industry	The Food and Beverage Industry is highly competitive and many of the Company's competitors are significantly larger and have significantly more resources. There is no assurance that Forbidden Foods will be able to compete effectively with existing and new competitors in the future. Should any of Forbidden Foods' competitors participate more aggressively on price, product, innovation or other means, this could have a material adverse impact on Forbidden Foods' financial performance and prospects.	Section 5.2.5
Impact of COVID-19	COVID-19 has brought significant volatility in global financial markets and has impacted many aspects of life and the economy in Australia and around the world. While COVID-19 is still spreading and the final implications of the pandemic are unknown, the ongoing pandemic may have a significant adverse effect on Forbidden Foods. A detailed description of the impact of COVID-19 on the Company's business as at the Prospectus Date is set out in Section 3.9. The Company (as a participant in the Food and Beverage Industry) provides an "essential service" and, as at the Prospectus Date, it has been able to source raw materials and packaging, engage manufacturers and interact with its distributors and customers without material disruption to its business. The Company has however experienced significant volatility in the demand for its products: the Company has experienced increased volumes through its retail channels (as consumers stock up on certain products including rice), however there has been reduced demand from the Company's food service and food manufacturer customers. Based on its experiences to-date and the current impacts of the COVID-19 pandemic, the Company currently expects to be able to manage through the crisis without material disruption to its business or operations and without a material adverse effect to its financial performance or position. However the COVID-19 pandemic is a highly fluid environment and there is no certainty that this expectation will eventuate, particularly if the pandemic has a significant and negative impact on consumer demand for the Company's products specifically, or demand more generally. Likewise, if the COVID-19 pandemic spreads, if infection and mortality rates increase or lockdowns and restrictions are increased, the Company's business, operations and financial prospectus may be materially and adversely affected.	Sections 3.9 and 5.2.6
Customer concentration risk	In FY2019, approximately 75% of Forbidden Foods' revenue was generated from its top 5 customers. Should the Company's trading relationship with any of its large customers change in an adverse way – for example as a result of competition, reduced demand for the Company's products or a product contamination issue – the Company's financial performance and prospects could be adversely affected.	Section 5.2.7

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Product concentration risk	Forbidden Foods' product mix and revenues are currently dependent on rice and seeds/grains products. Given the Company's limited product range, factors affecting the supply of, and demand for, the products could have a significant adverse impact on Forbidden Foods' financial performance and future prospects.	Section 5.2.8
Changes in consumer trends and preferences	Forbidden Foods' business is primarily focused on the sale of rice, seeds, grains and flours, which are subject to continually evolving consumer preferences. The Company is subject to changing consumer trends, demands, preferences and attitudes, including a shift in the beliefs, tastes and dietary habits of end consumers. There is a risk that consumer preferences for Forbidden Foods' products will change in an adverse way. Should there be a reduction in demand for Forbidden Foods' products, this could have a material adverse impact on the financial performance and future prospects of the Company.	Section 5.2.9
Retail environment	There is a risk that an economic downturn could occur in Australia or overseas, which could cause the retail environment to deteriorate as consumers reduce their expenditure generally or reduce their disposable income expenditure on specific discretionary items. This could result in reduced turnover for Forbidden Foods.	Section 5.2.10
Climate or environment events	As a seller of agricultural products, weather and climactic conditions directly affect the business operations of the Company. The quantity and quality of Forbidden Foods' products may be adversely affected by adverse weather or climactic conditions, including climate change. Any adverse change to weather or climactic conditions may impact the sustainability of rice and produce, which are sourced through third party providers.	Section 5.2.11
Other risks	A number of other risks are included in Section 5.	Sections 5.2 and 5.3

1. INVESTMENT OVERVIEW

1.6 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FOR MORE INFORMATION</th></tr>
<tr><td>Who are the Existing Shareholders and what will their interests in the Shares be on Completion of the Offer?</td><td>The Existing Shareholders are the current owners of Forbidden Foods. Forbidden Foods is the current parent company of the Forbidden Foods Group which carries on the Forbidden Foods business as at the Prospectus Date.

<table>
<tr><th></th><th colspan="2">SHARES HELD AT THE PROSPECTUS DATE</th><th colspan="2">SHARES HELD AT COMPLETION OF THE OFFER</th></tr>
<tr><th></th><th>Shares</th><th>%</th><th>Shares</th><th>%</th></tr>
<tr><td>Existing Shareholders (excluding Founders)</td><td>7,779,008</td><td>29.4%</td><td>7,779,008</td><td>10.4%</td></tr>
<tr><td>Founders*</td><td>18,669,622</td><td>70.6%</td><td>18,669,622</td><td>24.9%</td></tr>
<tr><td>Non-Executive Directors^</td><td>–</td><td>–</td><td>458,631</td><td>0.6%</td></tr>
<tr><td>Convertible Noteholders (excluding Non-Executive Directors)</td><td>–</td><td>–</td><td>14,786,660</td><td>19.7%</td></tr>
<tr><td>New Shareholders†</td><td>–</td><td>–</td><td>30,001,000</td><td>40.0%</td></tr>
<tr><td>Lead Manager#</td><td>–</td><td>–</td><td>1,653,039</td><td>2.2%</td></tr>
<tr><td>Corporate Adviser**</td><td>–</td><td>–</td><td>1,653,039</td><td>2.2%</td></tr>
<tr><td>Total</td><td>26,448,630</td><td>100%</td><td>75,000,999</td><td>100%</td></tr>
</table>
* The Founders are Jarrod Milani and Marcus Brown.
^ The Non-Executive Directors are Mark Hardgrave and Colleen Lockwood. Each of Mark and Colleen hold Convertible Notes as at the Prospectus Date.
† Includes the 1,000 Shares to be issued under the Cleansing Offer.
# The Lead Manager is BW Equities Pty Ltd.
** The Corporate Adviser is Cadmon Advisory Pty Ltd.</td><td>Section 7.1.4</td></tr>
<tr><td>What Adviser Shares and Adviser Options will be issued to advisers in connection with the Offer?</td><td>Under the Lead Manager Mandate with BW Equities and the Corporate Adviser Mandate with Cadmon, the Company has agreed to make Share and option grants as follows:
• 1,653,039 Shares to each of BW Equities and Cadmon at the Offer Price; and
• 2,000,000 Options to acquire Shares to each of BW Equities and Cadmon.</td><td>Sections 9.5.1 and 9.5.2</td></tr>
<tr><td>What are the Convertible Notes?</td><td>The Company has issued $2.0 million worth of Convertible Notes.

The Convertible Notes, together with accrued interest, automatically convert into Shares on Completion of the Offer at an effective issue price of $0.14 per Share.</td><td>Section 9.4.1</td></tr>
</table>

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What impact does the date of conversion of the Convertible Notes have on the capital structure of the Company?	The capital structure of the Company as disclosed in this Prospectus has been calculated on the basis that the Convertible Notes will convert on 25 August 2020 (the date of Completion of the Offer). If Completion of the Offer is delayed, additional Shares will be issued on conversion of the Convertible Notes, representing the interest that accrues for the period of the delay. For example, if Completion of the Offer is delayed by: • one week (to 1 September 2020), an additional 27,401 Shares will be issued, for total issued Share capital of 75,028,400 Shares on Listing; and • one month (to 25 September 2020), an additional 121,315 Shares will be issued, for total issued Share capital of 75,122,314 Shares on Listing.	Section 9.4.2
What significant benefits and interests are payable to Directors and what significant interests do they hold?	On Completion of the Offer, the Directors' relevant interests in Shares and Director Options are expected to be as follows. The table does not take into account any Shares the Directors may acquire under the Offer:	Section 6.3.4

Director	Relevant interests in Shares and Director Options at Completion of the Offer[1]		
DIRECTOR SHAREHOLDINGS			
	Number of Shares	%	Number of Director Options
Mark Hardgrave	382,192	0.5%	1,000,000
Marcus Brown	9,334,811	12.4%	–
Jarrod Milani	9,334,811	12.4%	–
Colleen Lockwood	76,439	0.1%	500,000
Total	19,128,253	25.4%	1,500,000

1. Directors may hold their interests in the Shares and Director Options shown above directly, or through holdings by companies or trusts.

All Non-Executive Directors will receive directors' fees and have been granted Director Options for nil consideration.

Advisers and other service providers are entitled to fees for services (including the Adviser Shares and Adviser Options).

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	The following Shareholders or classes of Shareholders have entered into ASX mandatory escrow agreements and voluntary escrow agreements, or, if applicable, will be given restriction notices, in relation to a total of approximately 32,884,100 Shares in which they (or their associated entities) will hold a relevant interest on Completion of the Offer. The combined effect of the ASX and voluntary escrow restrictions is summarised below:	Section 9.7

Class of Escrowed Shareholder	Number of Shares	Number of Escrowed Shares	% of Share-holding Escrowed on Listing	Escrow period
Founders and Company Secretary*	21,158,905	21,158,905	100%	2 years from Listing
Lead Manager and Corporate Adviser*	3,306,078	3,306,078	100%	2 years from Listing
Existing Shareholders (other than Founders and Company Secretary)^	5,289,725	3,173,835	60%	6 months from Listing
Non-Executive Directors#*	458,631	158,631	34.6%	2 years from Listing
Convertible Noteholders (other than Non-Executive Directors) – principal owing*	13,857,157	4,157,148	30.0%	December 2020/ January 2021
Convertible Noteholders (other than Non-Executive Directors) – accrued interest*	929,503	929,503	100%	12 months from Listing
Total	44,999,999	32,884,100	–	

All of the Director Options (and Shares issued on exercise of the Director Options) held by Mark Hardgrave and Colleen Lockwood (or nominees) will be subject to escrow for a period of two years from Listing.

* Shares subject to mandatory, ASX-imposed escrow.

^ Shares subject to voluntary escrow.

1. INVESTMENT OVERVIEW

1.7 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FOR MORE INFORMATION</th></tr>
<tr><td>What is the proposed use of the funds raised under the Offer?</td><td>The proposed use of funds raised under the Offer is set out below:
<table><tr><th>USE OF FUNDS</th><th colspan="2">MINIMUM SUBSCRIPTION</th></tr><tr><th></th><th>Amount</th><th>% of Proceeds</th></tr><tr><td>Sales, marketing and brand development</td><td>$3,000,000</td><td>50.0%</td></tr><tr><td>Administration costs</td><td>$994,000</td><td>16.6%</td></tr><tr><td>Working capital</td><td>$948,061</td><td>15.8%</td></tr><tr><td>Costs of the Offer</td><td>$1,057,939</td><td>17.6%</td></tr><tr><td>Total uses</td><td>$6.0 million</td><td>100.0%</td></tr></table></td><td>Section 7.1.3</td></tr>
<tr><td>Who is the issuer of this Prospectus?</td><td>Forbidden Foods Limited (ACN 616 507 334), a company incorporated in Victoria, Australia.</td><td>Section 7.1</td></tr>
<tr><td>What is the Offer?</td><td>The Offer contained in this Prospectus is an invitation to apply for 30,000,000 Shares offered for issue by Forbidden Foods at an Offer Price of $0.20 per Share, to raise $6.0 million.

The Offer is open to Australian resident retail investors and Institutional Investors in Australia and certain other eligible jurisdictions.</td><td>Section 7.1</td></tr>
<tr><td>What is the Cleansing Offer?</td><td>The Cleansing Offer is intended to remain open following the closing of the Offer, until the issue of Shares on conversion of the Convertible Notes has been completed. This will ensure that the Shares issued on conversion of the Convertible Notes will be capable of being traded on ASX from Listing.</td><td>Section 7.1.8</td></tr>
<tr><td>What is the Minimum Subscription under the Offer?</td><td>The Offer has a Minimum Subscription of 30,000,000 Shares to raise gross proceeds of $6.0 million.</td><td>Section 7.1</td></tr>
<tr><td>What happens if the Minimum Subscription is not achieved?</td><td>If the Minimum Subscription is not achieved then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).</td><td>Section 7.1</td></tr>
<tr><td>Will the Shares be quoted on ASX?</td><td>Forbidden Foods applied on 17 July 2020 for its admission to the Official List, and quotation of the Shares on ASX under the code “FFF”.

Completion of the Offer is conditional on ASX approving that application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</td><td>Section 7.2</td></tr>
</table>

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What are the other conditions to the Offer proceeding?	The Company raising the Minimum Subscription under the Offer. If this condition is not met, the Offer will not proceed and the Application Monies will be returned (without interest).	Section 7.2
How is the Offer structured and who is eligible to participate in the Offer?	The Offer is a general public Offer of Shares and is open to: • Australia resident retail investors; and • Institutional Investors in Australia and in certain other eligible jurisdictions.	Section 7.1.
Is the Offer underwritten?	No, the Offer is not underwritten.	Sections 7.1 and 7.2
What is the allocation policy?	The allocation of Shares amongst Applicants will be determined by agreement between the Lead Manager and the Company. In the event that there are Applications for more than 30,000,000 Shares, Applications will be scaled back. The Company and the Lead Manager have absolute discretion regarding the allocation of Shares to Applicants and may reject any Application, or allocate fewer Shares than applied for.	Sections 7.2 and 7.3.4
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer.	Sections 7.2 and 9.10.4
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9.10. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether or not to invest.	Section 9.10
When will Successful Applicants receive their holding statements?	It is expected that holding statements will be despatched to Successful Applicants by standard post on or around Wednesday, 26 August 2020.	Section 7.2
When can I sell my Shares on ASX?	It is expected that trading of the Shares on the ASX will commence on a normal settlement basis on or about Monday, 31 August 2020. It is the responsibility of each person who trades Shares to confirm their holding before trading Shares. Any person who sells Shares before receiving a holding statement does so at their own risk.	Section 7.2
How can an Applicant apply for Shares?	Applicants under the Offer may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus and following the instructions on the back of the Application Form.	Section 7.3
What is the minimum Application size?	The minimum Application size under the Offer is $2,000 (which is equivalent to 10,000 Shares in aggregate).	Section 7.2

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the issue of Shares to Applicants under the Offer. If the Offer does not proceed, Application Monies received will be refunded (without interest) in accordance with the Corporations Act.	Sections 7.2, 7.5 and 7.6
Where can I find out more information about the Offer?	All enquiries in relation to this Prospectus should be directed to the Share Registry on: • within Australia: 1300 288 664; or • outside Australia: +61 2 9698 5414, from 9:00am to 5:00pm (Melbourne time), Monday to Friday (excluding public holidays). If you have any questions about this Prospectus, the Offer or whether or not to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser.	Section 7.3.3



2.

INDUSTRY OVERVIEW

2. INDUSTRY OVERVIEW

2.1 FORBIDDEN FOODS INDUSTRY CONTEXT

Forbidden Foods operates in the Food and Beverage Industry in Australia. The Food and Beverage Industry represents food and beverage products sold to customers. From production, processing, manufacturing, packaging and retail, Food and Beverage is a major industry sector for the Australian economy, in terms of its size, its financial contribution and employment[10].

Forbidden Foods produces healthy food products under three primary brands – Forbidden, Sensory Mill and Funch. Forbidden Foods was founded in 2010 and in 2012 launched its flagship black rice product, which was new to the Australian market at that time.

The Food and Beverage Industry in Australia generated approximately $172 billion in turnover in 2017. The Food and Beverage Industry is highly fragmented but can be divided into two broad categories:

1. the retail category, which generated an estimated $115 billion (67%) of turnover in Australia in 2017; and
2. the food service and wholesale category, which generated an estimated $57 billion (33%) of turnover in Australia in 2017[11].

The relevant Food and Beverage market segments that Forbidden Foods operates in (as depicted in Figure 2.1) are:

- Organic Foods: Food products grown and produced without the use of chemical fertilisers, pesticides or artificial chemicals (see Section 2.3)[12];
- Healthy Snacks: Part of the broader Snack Food Production industry, producing health snack foods that have high nutritional value, such as muesli bars, protein bars and dried fruit and nuts (see Section 2.4)[13];
- Baby Foods: Nutritional products for infants and small children (see Section 2.5)[14]; and
- Industrial Food Service and Food Manufacturing: Industrial food production that supply commercial food sectors including cafes, full service restaurants, hotels, QSR chains and caterers (see Section 2.6)[15].

Forbidden Foods products can cross over segments. For example, organic products are sold as Healthy Snacks and Baby Foods.

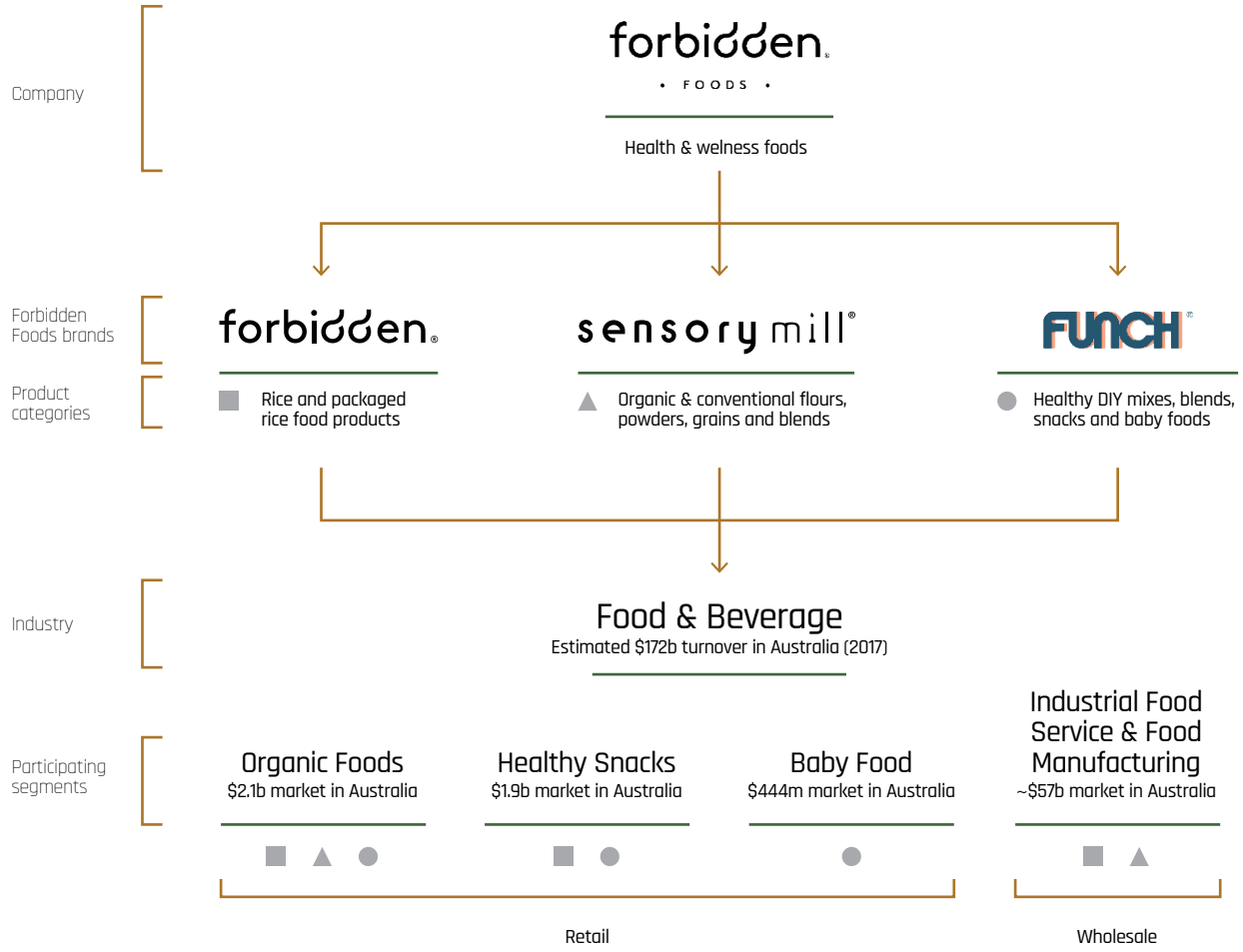
The promotion of healthy lifestyles together with growing disposable income levels, food safety concerns and a focus on environmental sustainability has increased the demand for organic, clean, healthy and natural foods. Given these broad trends, Forbidden Foods' core strategy is to target retail buyers with existing and new lines of its Organic Food products, Healthy Snacks and Baby Foods, and to target wholesale channels such as Industrial Food Service and Food Manufacturing customers to buy its healthy food products in bulk. Each of these market segments represent a significant market in Australia and overseas.

In FY2019, Forbidden Foods derived 90% of its revenue in Australia and 10% in export markets. An additional growth opportunity is to target increased export growth, leveraging the appeal of Australian food products overseas.

10. Austrade – no date reference – https://www.austrade.gov.au/International/Buy/Australian-industry-capabilities/food-and-beverage.
11. New Zealand Trade and Enterprise, The Australian Food and Beverage Landscape, pg 3-4, 2018 – https://www.nzte.govt.nz/-/media/NZTE/Downloads/Regional-downloads/AusPac/Australian-food-and-beverage-landscape.pdf
12. Austrade, Australian Capability for Better-for-You Foods, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
13. IBISWorld, Health Snack Food Production, 2020 – https://www.ibisworld.com/au/industry/health-snack-food-production/5486/
14. Statista – 2020 – https://www.statista.com/outlook/40120000/100/baby-food/worldwide
15. New Zealand Trade and Enterprise, The Australian Food and Beverage Landscape, pgs 10-11 – 2018 – https://www.nzte.govt.nz/-/media/NZTE/Downloads/Regional-downloads/AusPac/Australian-food-and-beverage-landscape.pdf

2. INDUSTRY OVERVIEW

Figure 2.1: Forbidden Foods Industry Snapshot



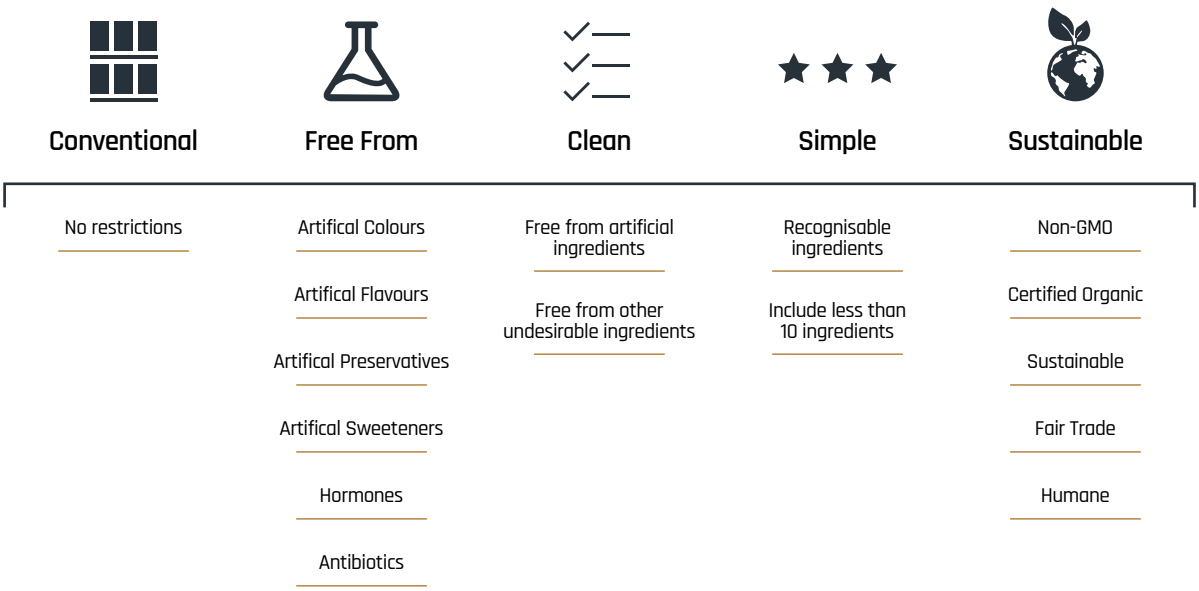
2. INDUSTRY OVERVIEW

2.2 KEY FOOD TRENDS

The Australian Food and Beverage Industry has been quick to respond to consumer demands and trends, which include greater convenience and healthier, fresher and less processed foods. The industry has seen a shift with a number of key trends affecting the market, which Forbidden Foods believes it is well positioned to capitalise on:

Organic Foods	Demand for organic products in Australia and overseas has risen as consumers increasingly consider the health and environmental consequences of their food choices. Consumers are placing greater scrutiny on where their food is sourced and how it is produced. They are increasingly seeking food that is cultivated using environmentally friendly farming practices, including limiting the use of chemicals they perceive as harmful to their health[16]. In Australia, revenue generated by the Organic Foods and beverages segment reached $2.1 billion per annum in 2018[17].
Healthy Snacks	Rising health consciousness, consumer concerns about obesity together with time-constrained lifestyles have driven demand for convenient and healthy snacks over the past five years. The Health Snack Food Production Industry revenue was anticipated to rise at an annualised 2.7%, to reach $1.9 billion in 2019-20[18].
'Clean' foods	'Clean' foods that are free of undesired qualities that impact the health and wellbeing of consumers have emerged. All-natural 'clean' foods are free from artificial colours, preservatives, flavours or other additives. Foods that are gluten free, sugar free, fat free, genetically modified organism (GMO) free, and organic are examples of clean foods that exhibit demand growth worldwide[19].

Figure 2.2: Clean Labels[20]



16. Austrade, Australian Capability for Better-for-You Foods, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
17. Australian Organics, Australian Organic Market Report 2019 – https://austorganic.com/publications/ao-market-report-2019/. Summarised at https://austorganic.com/awareness-around-organics-at-an-all-time-high-as-australians-seek-out-authentic-products/
18. IBISWorld – 2020 – https://www.ibisworld.com/au/industry/health-snack-food-production/5486/
19. Austrade, Australian Capability for Better-for-You Foods, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
20. Modified from Nielsen – https://www.nielsen.com/us/en/insights/report/2017/transparency-is-winning-the-us-retail-market/

2. INDUSTRY OVERVIEW

Plant-based foods	Plant-based foods have historically been targeted at vegetarians, vegans, those with health conditions or those that have a plant-based diet for religious reasons. Plant based options are no longer a niche part of today's food and beverage industry. They are now a mainstream set of offerings appealing to a broader range of consumers. For example, the US plant-based food and beverage market was valued at US$4.5 billion in retail sales in 2019, growing 11% in the previous year compared to only 2% for all foods[21]. All products from each Forbidden Foods brand is plant-based so the Company is well-placed to capitalise on this trend.
Independent brands compete with large multinationals	Industry players are diverse in size from multinationals producing large volume fast moving consumer goods through to small, innovative boutique brand players such as Forbidden Foods with flexibility to meet demand for niche differentiated products with strong consumer appeal[22].
Large food growing and manufacturing sector to support new brands	As a reliable grower of some of the world's best fresh horticultural produce, Australia can supply the raw ingredients, including superfoods, used in all-natural and health foods[23]. In 2018, it was estimated that Australia has 62% of the world's organic farmland[24]. Food manufacturing is Australia's largest manufacturing sector, representing 32% of all manufacturing jobs[25]. Together, this means new food products and brands can emerge without requiring the investment needed to own the whole supply chain.
Sustainability	Growing concerns over food safety, animal welfare, climate change and environmental sustainability have resulted in a greater appreciation of sustainability by consumers across the globe. This is driving more consumption of plant and non-meat products and flexible dietary habits[26].
Food safety and provenance	The Commonwealth Scientific and Industrial Research Organisation (**CSIRO**) expects food provenance and traceability to become an increasing priority for industry and governments[27]. Forbidden Foods' Australian origin, together with internationally recognised Australian production standards, enables the Company to leverage the safe and clean image that Australian food products have globally.
Convenience	The Food and Beverage Industry is experiencing increased participation of start-up brands launching innovative products into the market to meet the rising consumer demand for convenient, healthy and sustainable, 'better for you' food options, or for snacking on-the-go. CSIRO estimates that convenience food options can be a $5.3 billion market on its own by 2030[28].

These food trends demonstrate the increase of consumer awareness of the importance of general health and wellbeing.

As such, demand for healthy, better-for-you food products is expected to increase. Forbidden Foods aims to capitalise on this anticipated increase in demand.

21. William Blair, Food for Thought Report, 2019 – https://www.williamblair.com/-/media/Downloads/Insights/IB-Market-Assets/2019/william-blair-food-for-thought-092019.pdf?as=1&la=en
22. Austrade – no date reference – https://www.austrade.gov.au/International/Buy/Australian-industry-capabilities/food-and-beverage
23. Austrade, Australian Capability for Better-for-You Foods, Pg 14 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
24. Austrade, Australian Capability for Better-for-You Foods, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
25. Australian Food and Grocery Council, State of the Industry Report 2019, Pg 4 – https://www.afgc.org.au/industry-resources/state-of-the-industry-report
26. Deloitte, Plant based alternative, 2019 – https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-plant-based-alternatives.pdf
27. CSIRO, Growth opportunities for Australian food and agribusiness report – https://www.csiro.au/en/Do-business/Futures/Reports/Opportunities-for-Food-and-Agribusiness
28. CSIRO, Growth opportunities for Australian food and agribusiness report, Pg 8 – https://www.csiro.au/en/Do-business/Futures/Reports/Opportunities-for-Food-and-Agribusiness

2. INDUSTRY OVERVIEW

2.3 ORGANIC FOODS MARKET

2.3.1 What are Organic Foods?

Organic Foods are food products grown and produced without the use of chemical fertilisers, pesticides or artificial chemicals. The rising global demand for Organic Food is driven by consumers who value the health benefits of eating produce and products that are chemical, additive, hormone, and antibiotic-free, and contain no genetically modified organisms[29].

In 2018, it was estimated that Australia had approximately 62% of the world's organic farmland and over 35 million hectares of land under certified organic management. Its size and geographic and climatic diversity mean it can offer a wide variety of Organic Foods[30].

The global market for certified Organic Foods passed US$102 billion in revenue in 2018[31]. In Australia, the Organic foods and beverages market was estimated to be worth $2.1 billion domestically and with exports of $650 million in 2018[32].

2.3.2 How are Organic Food products certified?

Whilst there is no mandatory requirement for certification of organic products sold in Australia, many businesses choose to be certified by an organic certification body to underpin truth in labelling requirements and promote consumer confidence.

Products that are exported from Australia face stricter regulations than those sold in the domestic market. Australia's six private certifiers base their certification standards on the National Standard for Organic and Biodynamic Produce, used by the Department of Agriculture and Water Resources for export certification. These include AUS-QUAL, Australian Certified Organic, Bio-Dynamic Research Institute, NASAA Certified Organic, Organic Food Chain and Safe Food Production Queensland.

Australia's strict organic regulations mean that farming land needs to be under organic management for approximately three years before the producer can obtain certification. There are more than 4,000 certified organic processors, producers and handlers in Australia[33].

2.3.3 What are the key drivers of the Organic Foods market?

As an ever-widening array of Organic Food products is becoming available, Organic Food demand is likely to increase for the following reasons:

- Now mainstream: Once a niche product sold in a limited number of retail outlets, Organic Food products are currently sold in a wide variety of venues including farmers markets, natural product supermarkets, conventional supermarkets and grocers. In the US, Organic Food products are sold in ¾ of grocery outlets[34].
- Product certification increases value: The value of organic certification allows products to be sold at a premium compared to conventional non-organic products. Products can be 20%-80% more expensive as they are deemed as clean, natural, ethical and sustainable[35].
- Increased demand from food service: Organic ingredients are being used in a growing number of food service establishments with large food franchises also turning to certified Organic Food product suppliers[36].
- On-the-go organic snacks: Organic snacks to appeal to health-conscious younger consumers. Products such as kombucha have evolved from niche appeal to widely consumed.
- Interest from developing markets: Countries in Asia-Pacific, including China, value food safety so are gravitating to organic, plant-based and functional health foods with good provenance[37].

29. Austrade, Australian Capability for Better-for-You Foods, 2018, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
30. Austrade, Australian Capability for Better-for-You Foods, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
31. CSIRO, Growth opportunities for Australian food and agribusiness report, Pg 35 – 2019 – https://www.csiro.au/~/media/Do-Business/Files/Futures/GrowthOpportunitiesAustralianFoodAgribusiness.pdf?la=en&hash=BAC572AD72A067B38582174837B535AAB206399A
32. Australian Organic Limited, 2019 – https://austorganic.com/awareness-around-organics-at-an-all-time-high-as-australians-seek-out-authentic-products/
33. Austrade, Australian Capability for Better-for-You Foods, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
34. US Department of Agriculture – 2019 – https://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/
35. Nielsen, 2018 –https://www.nielsen.com/us/en/insights/article/2018/tops-of-2018-organic/
36. Ecovia Intelligence – 2019 – https://www.ecoviaint.com/global-organic-food-market-trends-outlook/
37. CSIRO, Growth opportunities for Australian food and agribusiness report, – 2019 – https://www.csiro.au/~/media/Do-Business/Files/Futures/GrowthOpportunitiesAustralianFoodAgribusiness.pdf?la=en&hash=BAC572AD72A067B38582174837B535AAB206399A

2. INDUSTRY OVERVIEW

- **Organic Baby Food as a key driver to growth:** From the broader Baby Food market, Organic Baby Food has witnessed an increase in demand due to the rise in parental concerns and awareness of product quality. Product innovation and brand marketing have also driven demand and growth in the category[38].
- **Growing appeal to Millennials:** Millennial households spent 14% more on organic products in 2018 than in the previous year[39].

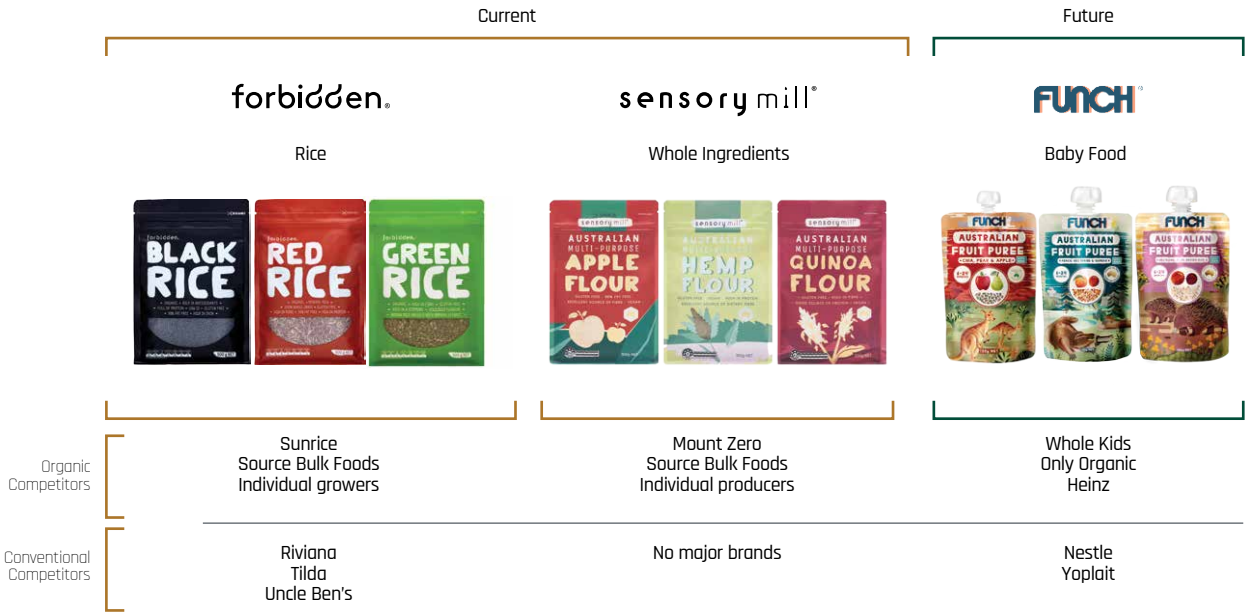
Consumers are placing greater scrutiny on where their food is sourced and how it is produced[40]. End-consumers have demonstrated demand for natural products and as a result industrial food manufacturers and food service chains have sought to introduce organic ingredients to their ranges[41].

2.3.4 Where does Forbidden Foods fit in the Organic Foods market?

Currently, only the Forbidden brand carries organic product lines of its packaged and snack rice products and bulk rice. Both Sensory Mill and Funch plan to release new Organic Food product lines to compete in this market.

The Organic Foods market is highly fragmented with many small players seeking an available niche to compete in. The main competition that Organic Food producers experience is from non-organic and conventional producers of the same food.

Figure 2.3: How Forbidden Foods competes in the Organic Foods market



2.4 HEALTHY SNACK MARKET

2.4.1 What are Healthy Snacks

Healthy Snacks are snack foods that have high nutritional value, such as muesli bars, protein bars and dried fruit and nuts. Producers are becoming more innovative to create Healthy Snack products with consumer appeal. Forbidden Foods produces its own consumer brands and also supplies ingredients to brands creating their own Healthy Snack products. Forbidden Foods believes that it is well-placed to capitalise on this growing opportunity for its 'better-for-you' retail snack products.

The global snack food market is evolving significantly. The Health Snack Food Production Industry revenue is anticipated to rise at an annualised 2.7%, to reach $1.9 billion in 2019-20[42].

38. Mordor Intelligence – 2019 – https://www.mordorintelligence.com/industry-reports/organic-baby-food-market
39. Nielsen, 2018 – https://www.nielsen.com/us/en/insights/article/2018/tops-of-2018-organic/
40. Austrade, Australian Capability for Better-for-You Foods, Pg 7 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
41. Ecovia Intelligence – 2019 – https://www.ecoviaint.com/global-organic-food-market-trends-outlook/
42. IbisWorld, 2020 – https://www.ibisworld.com/au/industry/health-snack-food-production/5486/

2.4.2 What are the key drivers of the Healthy Snack market?

Health and wellness concerns remain a major priority for Australian consumers. Many consumers have been concerned with healthier and more conscious eating, therefore changing their consumption habits by moving away from traditionally high-fat and high-sodium snacks, towards high-value gourmet and healthier snack products, such as grain or wheat snacks[43].

Demand for Healthy Snack products is expected to grow as a result of the following key drivers:

- **Health claims generate interest:** Products that call attention to health claims are driving the strongest uptick in sales in the snack market[44].
- **Wider distribution:** Healthy Snacks are increasingly available through a wider range of channels including supermarkets, grocers, health food stores, gyms and pharmacies[45].
- **Lifestyle:** People that participate in fitness use Healthy Snacks as a way to supplement or support their calorie intake. Office workers that are often sedentary for long periods seek out healthier snacks in an effort to offset their work routines[46].
- **School lunch box:** Increasing health consciousness is prompting parents to make healthier choices about the snacks that go into their children's lunch boxes[47].

2.4.3 Where does Forbidden Foods fit in the Healthy Snack market?

The Company's primary Healthy Snack product is Brekky Rice. This competes with other healthy breakfast snacks such as Sanitarium Up&Go Liquid Breakfast, or fresh fruit produce and conventional breakfast foods. Forbidden intends to release a healthy biscuit range that will compete directly with muesli bars and protein bars with an adjacent offering.

The Healthy Snack market exhibits low market share concentration consisting of a large number of small-to-medium sized brands operating in only one or two product segments, such as protein or muesli bars.

Although larger multinational companies, such as Nestle, also operate in the industry, they do so with only one or two brands and do not make up a significant share of the industry[48].

2.5 BABY FOOD

2.5.1 What is Baby Food?

Baby Food refers to nutritional products for infants and small children, most notably in the form of homogenized food preparations. This segment includes complementary foods (e.g. fruit and vegetable-based mashes) and infant formula.

Strong demand for nutrient-added and organic products has driven the Baby Food manufacturing industry's performance from 2014-2019, during which time the average industry growth was 4.2% per annum. The Baby Food market in Australia is expected to reach $444 million in revenue in 2020 and is anticipated to grow at 3.0% per year until 2025[49].

The global Baby Food market is very competitive with revenue expected to reach US$214 billion in 2020 and is anticipated to grow at 5.4% per year until 2025[50]. The core growth is expected to come from large emerging markets in China and South-East Asia, with China sales alone expected to generate revenues of approximately US$75 billion in 2020[51].

43. IbisWorld, 2019 – https://www.ibisworld.com/industry-insider/industry-insights/health-creates-wealth-in-the-snack-food-manufacturing-industry
44. Nielsen – 2017 – https://www.nielsen.com/us/en/insights/article/2017/individual-snacking-categories-on-the-rise-in-the-us/
45. IbisWorld, 2019 – https://www.ibisworld.com/industry-insider/industry-insights/health-creates-wealth-in-the-snack-food-manufacturing-industry
46. IbisWorld, 2020 – https://www.ibisworld.com/au/industry/health-snack-food-production/5486/
47. Victoria State Government – https://www.betterhealth.vic.gov.au/health/healthyliving/lunch-boxes-healthy-ideas
48. IbisWorld, 2019 – https://www.ibisworld.com/industry-insider/industry-insights/health-creates-wealth-in-the-snack-food-manufacturing-industry
49. IBISWorld – 2019 – https://www.ibisworld.com.au/industry-trends/specialised-market-research-reports/consumer-goods-services/food-beverages/baby-food-manufacturing.html
50. Statista –2020 – https://www.statista.com/outlook/40120000/100/baby-food/worldwide
51. Statista –2020 – https://www.statista.com/outlook/40120000/100/baby-food/worldwide

2.5.2 What are the key drivers of the Baby Food market?

There has been growth through product innovation and export markets from Australian baby food manufacturers:

- Sales to China: There were 14.65 million births in China in 2019, as such, there is persistent demand for Baby Food[52]. Australia's high-quality food standards, ease of access to quality ingredients and the China-Australia Free Trade Agreement enables Australian companies such as Forbidden Foods to export to China.
- Healthier Baby Foods: There are strict regulations on the type of preservatives, artificial colours and flavours, and prescribed levels of vitamins and minerals that can be in Baby Foods. Australian Baby Foods have been shown to be healthier than many of those produced in Britain and Canada due to their lower levels of salt and sugar[53].
- Large range of Baby Foods: There is a full range of Baby Foods made in Australia, including liquid food such as fruit and vegetable purees or custards in jars and sprout pouches, as well as dry food such as formula, cereals and snacks. There are also many toddler food products available, including chew sticks, snack bars and biscuits to help with teething, and formula to supplement a solid diet and prolong the use of infant products into the later stages of growth[54].

2.5.3 How does Forbidden Foods fit in the Baby Food market?

Forbidden Foods does not currently produce Baby Foods. Through its Funch brand, the Company intends to produce Organic Baby Food and seek to grow this market through distribution in Asia, in particular China. The domestic and export market opportunity (particularly China) is substantial and the Company believes it is well positioned to enter these markets.

There are many Baby Food manufacturers supplying this market.

2.6 INDUSTRIAL FOOD SERVICE AND FOOD MANUFACTURING

2.6.1 What is the Industrial Food Service and Food Manufacturing market?

Forbidden Foods is a supplier to the Industrial Food Service and Food Manufacturing market. Industrial food production that supply commercial food sectors including cafes, full service restaurants, hotels, QSR chains and caterers was estimated to generate approximately $57 billion in turnover in Australia in 2017[55].

2.6.2 What are the key drivers and characteristics of this market?

Several key trends characterise how the Industrial Food Service and Food Manufacturing market segment is growing and how the Company can capitalise on available opportunities:

- Large number of food franchise brands: There are a significant number of food franchise brands in Australia[56]. This drives the requirement for brands to have a secure supply chain for ingredients that are replicable in quality and available Australia-wide. Forbidden Foods supplies major quick service restaurant QSR brands and has a strong record of consistent supply to meet customer demands as they scale their own businesses or create new products.
- Demand for convenience foods: Supermarkets and grocery stores have expanded their convenience food options such as pre-prepared salads. There is an increased demand for convenience meals and snacks[57].
- Corporate requirement for single serve foods: Aged care, hospitals, schools and the armed forces are among the large customers that require single serve foods and industrial food manufacturers require consistent ingredients provided in bulk to supply this market[58].

Based on the above trends, it is likely that food and beverage manufacturers will continue to add natural ingredients into everyday foods as a means to drive competitive differentiation.

52. Reuters referencing China National Bureau of Statistics – 2020 – https://www.reuters.com/article/us-china-economy-society-population-idUSKBN1ZG08C
53. Austrade, Australian Capability for Better-for-You Foods – pg 9 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
54. Austrade, Australian Capability for Better-for-You Foods – pg 9 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
55. IbisWorld April 2019 – pg 21 – https://www.ibisworld.com.au/industry-trends/market-research-reports/accommodation-food-services/fast-takeaway-food-services.html
56. New Zealand Trade and Enterprise, The Australian Food and Beverage Landscape, pg 11 – 2018 – https://www.nzte.govt.nz/-/media/NZTE/Downloads/Regional-downloads/AusPac/Australian-food-and-beverage-landscape.pdf
57. CSIRO, Growth opportunities for Australian food and agribusiness report, Pg 8 – https://www.csiro.au/en/Do-business/Futures/Reports/Opportunities-for-Food-and-Agribusiness
58. New Zealand Trade and Enterprise, The Australian Food and Beverage Landscape, pg 11 – 2018 – https://www.nzte.govt.nz/-/media/NZTE/Downloads/Regional-downloads/AusPac/Australian-food-and-beverage-landscape.pdf

2.6.3 Where does Forbidden Foods fit in the Industrial Food Service and Food Manufacturing market?

The main products that Forbidden Foods currently supplies to this market segment are bulk rice products from its Forbidden brand and bulk grains and flours from its Sensory Mill brand.

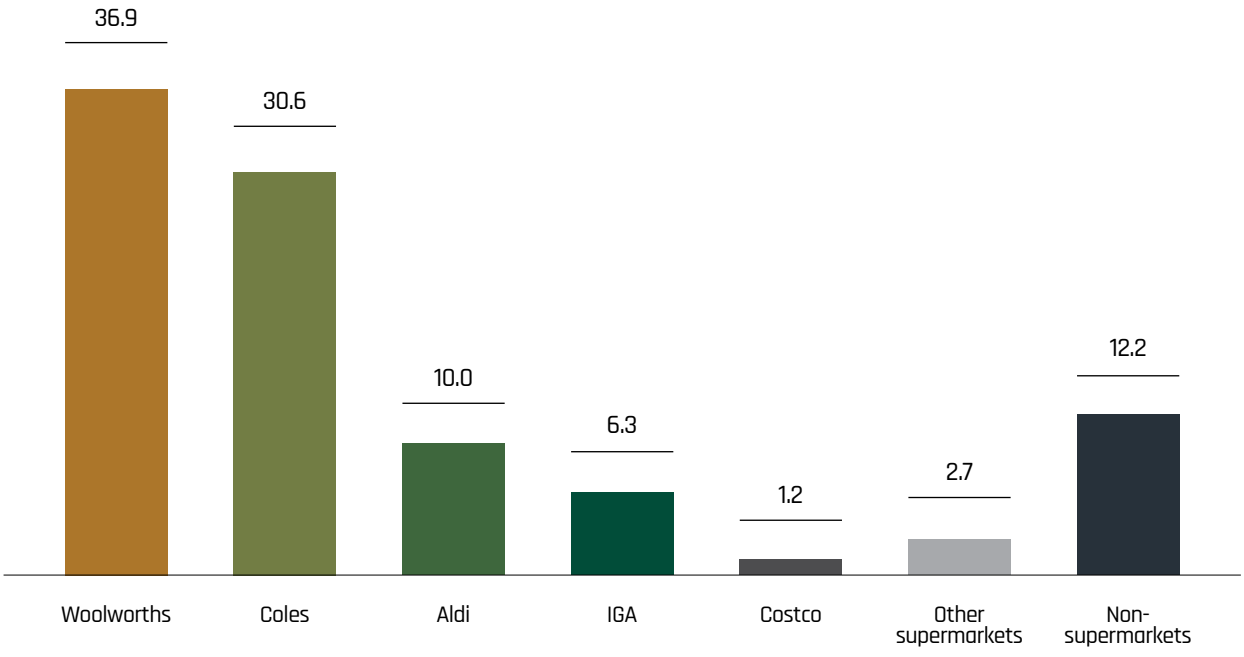
The market is highly fragmented with no dominant competitor providing ingredients to the Australian Food Service market. Since 1 January 2019, Forbidden Foods has supplied directly to 14 major food manufacturers, and through its network of distributors has access to 500 food service and QSRs as potential customers. Over the course of 2020 Forbidden Foods will seek to grow this.

2.7 RETAIL AND DISTRIBUTION

The retail component of the Australian Food and Beverage Industry generated approximately $115 billion in turnover in 2017[59]. The Australian retail Food and Beverage Industry is dominated by two major players, Coles and Woolworths, who hold 67% of the market, however they face competition from IGA, Aldi and Costco, independent supermarkets and from non-supermarkets such as grocers, health food stores and farmers markets as illustrated in Figure 2.4.

While price has been a major focus of competition, new and different products, for instance health foods, health snacks, pre-prepared and semi-prepared meals, are also important for retailers to maintain or increase market share, attract customers or grow margins.

Figure 2.4: Share of food and beverage retail trade[60]



59. New Zealand Trade and Enterprise, The Australian Food and Beverage Landscape, pg 11 – 2018 – https://www.nzte.govt.nz/-/media/NZTE/Downloads/Regional-downloads/AusPac/Australian-food-and-beverage-landscape.pdf
60. New Zealand Trade and Enterprise, The Australian Food and Beverage Landscape, pg 6 – 2018 – https://www.nzte.govt.nz/-/media/NZTE/Downloads/Regional-downloads/AusPac/Australian-food-and-beverage-landscape.pdf

2. INDUSTRY OVERVIEW

2.8 MACRO DRIVERS OF THE FORBIDDEN FOODS BUSINESS

The Food and Beverage Industry is growing in the Company's key focus segments of Organic Food, Healthy Snacks, Baby Food and Industrial Food Service and Food Manufacturing.

This growth is driven by a number of persistent macro trends that point to ongoing demand for products that Forbidden Foods brands are offering or planning to offer:

Population growth	Food production needs to increase each year in accordance with global population growth. 2 billion extra people will need access to consistent food sources as the world's population is projected to rise to 9.7 billion in 2050 from 7.7 billion in 2019[61].
Ageing population	Improved life expectancy means the world's population is ageing. By 2050, 16% of the global population will be over age 65, up from 9% in 2019[62]. A growing cohort of middle-aged and old consumers are looking to maintain their health. Functional food and health food products are consumption areas that support ongoing health[63].
Health consciousness	39% of adults globally are overweight or obese[64]. Obesity, as well as its related diseases, are largely preventable. Making the decision to eat healthier foods is one of the primary choices that is the most accessible, available and affordable to prevent obesity[65].
Allergies and intolerances	It is estimated that 4 million Australians and over 250 million people globally may suffer from a food allergy[66]. To address the global increase in allergies and intolerances, Australian manufacturers have developed a broad range of food and beverages that are free from gluten, nuts, lactose and other ingredients considered to have an adverse impact on consumers' health[67].
Demand for food safety	'Clean, green and safe' premium food and beverage products from Australia are in demand. Australia is internationally recognised for producing food with high levels of safety and freedom from disease. Exceptional food security and safety standards are supported by a strong, safe and stable food system[68].
Reputation of 'Brand Australia'	Australia has a reputation for supplying clean and natural products with low chemical residues. Quality and safety is paramount with strict safety standards regulated and enforced along the supply chain[69]. Forbidden Foods' Australian origin ensures the Company can leverage the safe and clean 'Brand Australia' image that Australian food products have globally.
Growing middle income demand	Affluent consumers have purchasing power to consume a greater range of healthy food products. As the middle class grows, they have more discretionary income to spend on food and wellness products.
Free Trade Agreements	Australia is party to a number of Free Trade Agreements with the US, China, New Zealand and several countries in Asia and Latin America[70]. This provides additional opportunities for Australian companies such as Forbidden Foods to export their products and access international markets with fewer barriers to trade. Exports of food and beverage products grossed $29.2 billion in 2017-18 growing at 6.5% per annum[71].

61. United Nations, Department of Economic and Social Affairs, 2019 – https://www.un.org/development/desa/en/news/population/world-population-prospects-2019.html
62. United Nations – https://www.un.org/en/sections/issues-depth/ageing/
63. Austrade, Australian Capability for Better-for-You Foods. – pg 16 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
64. World Health Organisation, 2020 – https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight
65. Austrade, Australian Capability for Better-for-You Foods. – pg 13 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
66. Austrade, Australian Capability for Better-for-You Foods, Pgs 3 and 5 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
67. Austrade, Australian Capability for Better-for-You Foods, Pgs 3 and 5 – 2018 – https://www.austrade.gov.au/ArticleDocuments/2814/Better_For_You_Foods_ICR.pdf.aspx
68. Austrade, Food Safety, Pg 2 – 2013 – https://www.austrade.gov.au/ArticleDocuments/1358/Food-Safety-ICR-Intro.pdf.aspx
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70. Australian Government, Department of Foreign Affairs and Trade – https://www.dfat.gov.au/trade/agreements/Pages/trade-agreements
71. Australian Food and Grocery Council, State of the Industry Report 2019, Pg 14 – https://www.afgc.org.au/industry-resources/state-of-the-industry-report



3.

COMPANY OVERVIEW

3. COMPANY OVERVIEW

3.1 COMPANY HISTORY

3.1.1 Overview

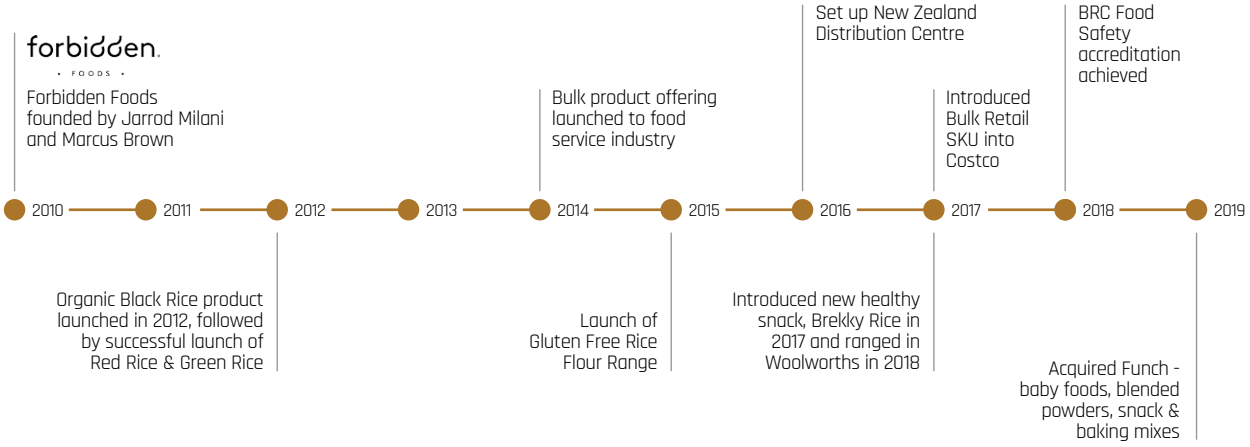
Forbidden Foods was formed in 2010 by co-founders Jarrod Milani and Marcus Brown. Based in Melbourne, Forbidden Foods was established with a vision to provide Australia with the very best health foods and to meet growing consumer demand for differentiated, health-orientated products.

In 2012 Forbidden Foods released its flagship product, 'Black Rice' which it marketed in the retail and food service sectors. Following the success of its flagship product, Forbidden Foods launched its Green Rice and Red Rice products in 2013.

Since 1 January 2019, Forbidden Foods has supplied directly to 159 customers and 14 major food manufacturers. It currently has access to over 3,500 retailers and 500 food service and QSR customers through its network of 26 distributors. Forbidden Foods believes it is well placed to establish and grow its market share in its targeted sectors of the Food and Beverage Industry, being:

- **Organic Foods:** Food products grown and produced without the use of chemical fertilisers, pesticides or artificial chemicals (see Section 2.3).
- **Healthy Snacks:** Part of the broader Snack Food Production industry, producing health snack foods that have high nutritional value, such as muesli bars, protein bars and dried fruit and nuts (see Section 2.4).
- **Baby Foods:** Nutritional products for infants and small children (see Section 2.5).
- **Industrial Food Service and Food Manufacturing:** Industrial food production that supply commercial food sectors including cafes, full service restaurants, hotels, QSR chains and caterers (see Section 2.6).

Figure 3.1: Key Growth milestones





3. COMPANY OVERVIEW

3.1.2 Highlights

Since being established in 2010 and launching its first product in 2012, Forbidden Foods' has built:

- **Three brands with growth potential:** Forbidden Foods has created the Forbidden and Sensory Mill brands, and acquired the Funch brand, supplying some of the world's leading food manufacturers.
- **A diverse health foods retail and food service range:** Each brand has in-market products and a range of upcoming new products to be launched, with potential for growth in Australia and internationally.
- **Ranged in Major Retailers:** With supply to Woolworths and Costco, who make up 38.1% of the retail Food and Beverage market in Australia, Forbidden Foods has an ongoing brand presence in major retailers with the future ability to expand into their national and international store networks.
- **Ingredient supplier to Industrial Food Service and Food Manufacturing:** An approved supplier for multiple large food manufacturers such as Flavour Makers, Sunfresh Salads and Vesco Foods, with the ability to establish new product lines.
- **International footprint:** Forbidden Foods exports to customers in New Zealand, Ireland, Singapore and the United States. Export sales represented approximately 10% of its revenue in FY2019.

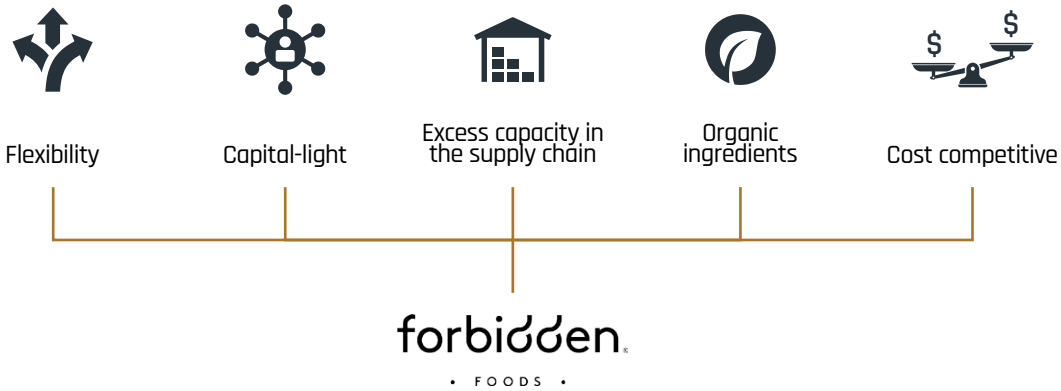
3.2 BUSINESS MODEL

3.2.1 Overview

The Forbidden Foods business model is an asset-light, flexible production model that allows it to outsource manufacturing and packaging to appropriate suppliers. Rather than having contract manufacturers source raw materials, Forbidden Foods has strategically identified and established a broad network of international and Australian suppliers that the Company engages directly when sourcing raw materials for its products. This permits Forbidden Foods to have control over the supply chain, raw material cost, product quality, recipe, brand and any other intellectual property relating to the products that are produced, without having to invest substantially into supply chain capital expenditure.

Forbidden Foods utilises trusted leading manufacturing partners with the necessary certifications and expertise to produce high quality food products that can be distributed to channel partners and ultimately end consumers.

Figure 3.2: Advantages of Forbidden Foods' business model



3. COMPANY OVERVIEW

3.2.2 Sourcing raw materials

Over 10 years, the Company has developed an extensive and stable network of third-party raw materials suppliers. For example, Forbidden Foods sources its rice products from a Chinese supplier specialising in organic products.

Excess capacity exists throughout the Forbidden Foods supply chain which enables the Company to scale up to meet increased demand. As such, although the Company relies on one rice supplier for approximately 25% of its rice (see Section 5.2.1) the Company is not significantly dependent upon any one procurement supplier.

The Company's supply and trading arrangements vary with each supplier. They are typically undertaken on a "purchase order" basis to reflect demand, rather than contracting for minimum or guaranteed volumes of products and services over a period of time. There may be minimum requirements for each purchase order (for example, one container).

3.2.3 Manufacturing and packaging

A significant competitive advantage that the Company has is the flexibility to develop and deliver a significant range of products in a range of commercial quantities.

The Company engages contract manufacturers to manufacture and package its products that have the ability to produce at scale and on demand. Packaging varies between products but is designed to meet the needs of the target market – easy to use size, easy to open and use of materials and branding that invoke sustainability. Where possible and depending on type of product most of our packaging is reusable, recyclable, made out of recycled plastic or paper bulk bags to minimise plastic in the supply chain.

The Company typically holds an inventory buffer of between 6 to 8 weeks for each product. This minimises risk of impact of production delays. Some of the Company's higher sales volume products that are distributed through major retailers can move in and out of the supply chain within 1 to 2 weeks of manufacture.

3.2.4 Distribution Channels

Forbidden Foods has three main channels to market:

Direct	Forbidden Foods sells direct to retailers such Woolworths and Costco to maximise control in the relationships and gain more value from sales. Forbidden Foods also sells direct to food service companies such as QSRs and Industrial Food Manufacturing that create recipes using Forbidden Foods ingredients.
Distributors	Distributors sell the Company's products to end businesses. Distributors have multiple customers that Forbidden Foods can access. This spreads the credit risk, maximises pallet volumes/sale size by Forbidden Foods shipping more to a distributor and ensures the business doesn't need its own fleet of delivery vehicles for fulfilment. In exchange for this, the Company pays its distributors a proportion of the revenue generated by sales made through the distributor. The Company's key distributor partners are PFD, Unique Health Products and Metcash.
Direct to Consumer	Forbidden Foods also sells products via e-commerce and distributes these small orders by courier. This is an under-developed channel for the Company and increased focus will seek to generate additional revenues direct from consumers.

3.2.5 Logistics

The Company outsources its core logistics to suitable third party logistics providers who are paid for stock storage, pallet warehousing, domestic trucking, pallet freight deliveries, imported container unpacking and export container filling. This minimises direct costs and fulfilment risks to the Company.

3.3 CUSTOMERS AND DISTRIBUTION

3.3.1 Australia and New Zealand

Forbidden Foods has a diverse range of customers focusing on its target segments in the Food and Beverage Industry. Through its network of 26 distributors, the Company has access to over 3,500 retailers and 500 food service and QSRs as potential customers. Since 1 January 2019, Forbidden Foods has supplied directly to 159 customers and 14 major food manufacturers.

Key Australia and New Zealand-based customers for Forbidden Foods include:

Table 3.1: Key Australia and New Zealand-based customers

	CUSTOMER	CHANNEL	FORBIDDEN FOODS	SENSORY MILL	FUNCH
Major Retail	Woolworths	Direct to retailer	♦		
	Costco	Direct to retailer	♦	♦	
	IGA	Both direct to retailer and distributor	♦		♦
	Drakes	Distributor	♦		
	Gilmours (New Zealand)	Direct to retailer	♦		
Independent Retail	159 direct customers and access to over 3,500 potential retail customers via Unique Health Products, Health Magic, Artisan Foods, Global by Nature and Metcash	Both direct to retailer and distributor	♦		♦
Food Service	5 major food service distributors	Direct to food service	♦	♦	
Quick Service Restaurants	Hero Sushi (~35 available stores)	Direct to food service	♦		
	Zambrero (~150 available stores)	Distributor	♦	♦	
	Soul Origin (100 available stores)	Direct to food service	♦		
	Suki (~6 available stores)	Distributor	♦		
	Subway (~1,300 available stores)	Via food manufacturer and Distributor*	♦		
Food Manufacturing	8 major food manufacturers	Direct to food manufacturers	♦	♦	

* Forbidden Foods supplies products to a food manufacturer which in turn engages a distributor to distribute product to Subway.

As illustrated in the table above, there is an opportunity to expand the Sensory Mill and Funch brands to existing customers.

To date, the Company has conducted limited direct to consumer sales through its online platforms. Forbidden Foods will seek to increase its online capability by upgrading its e-commerce capabilities and create marketing funnels to capture consumer enquiry for its products.

3. COMPANY OVERVIEW

Figure 3.3: Approximate customer mix by segment based on revenue generated in FY2020

Retail	36%
Foodservice	32%
Quick Service Restaurants	20%
Food Manufacturing	12%

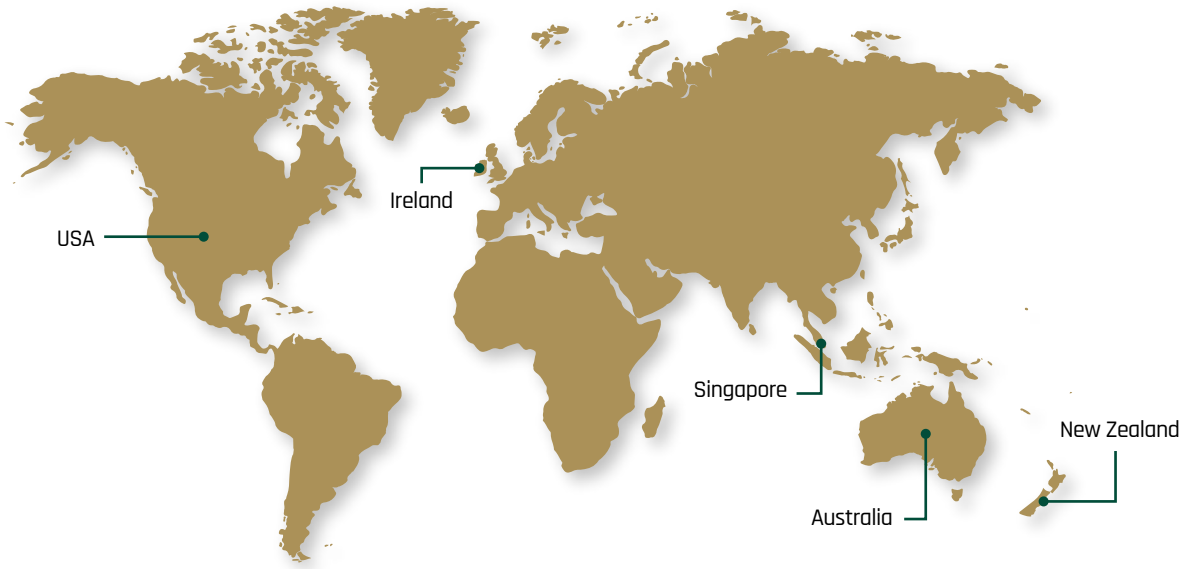


3.3.2 Export Markets

Beyond Australia, Forbidden Foods exports to customers in New Zealand, Ireland, Singapore and the United States. This international supply chain has been strengthened through relationships built with leading distributors including:

- Performance Food Group (United States), a food distributor in the US with 76 locations;
- Lynas Food service (Ireland), the largest distributor in Ireland with recent expansion to Scotland;
- Service Foods (New Zealand), a food service distributor in New Zealand; and
- Gilmours/Foodstuffs (New Zealand), the country's largest retailer with three leading supermarket brands in its portfolio and approximately 53% of the national grocery market.

Figure 3.4: Forbidden Foods International Distribution and Sales



Each customer relationship creates a beach-head for expansion into new territories and production capacity can satisfy demand from these customers.

Opportunity exists for Forbidden Foods to expand its range of ingredients and export Australian grown and made products into other international markets, particularly Asian markets.

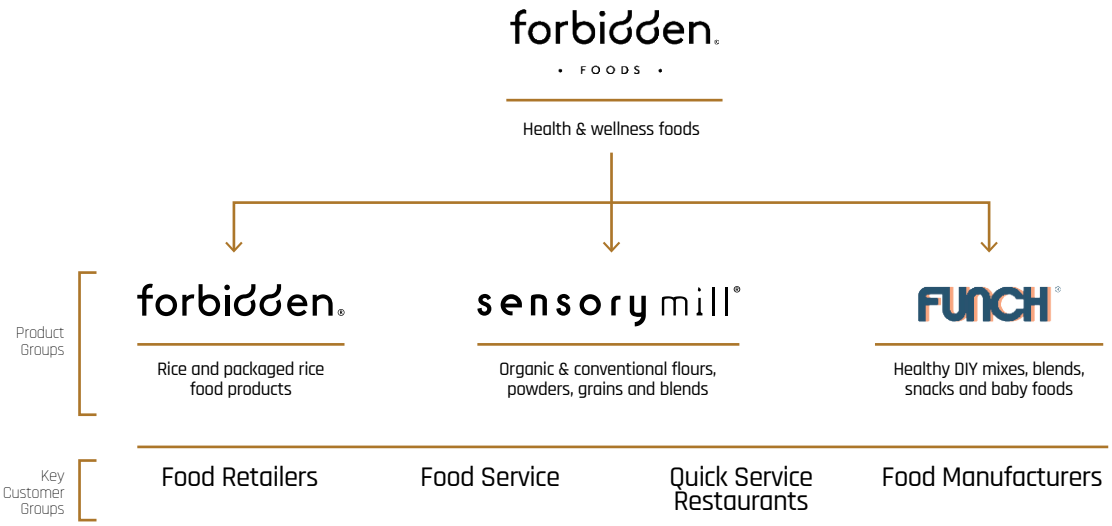
3. COMPANY OVERVIEW

3.4 BRANDS AND PRODUCTS

3.4.1 Overview

Forbidden Foods produces healthy food products under three primary brands – Forbidden, Sensory Mill and Funch. It procures raw materials and outsources the production, packaging and distribution of its finished products to retailers, and a variety of wholesale bulk products to food service and food manufacturing customers.

Figure 3.5: Overview of Forbidden Foods Brands



An overview of each brand is provided below.

3.4.2 Forbidden

forbidden

Snapshot	The Forbidden Foods range is based on a 'Rice Through Life' proposition, from organic wholegrain rice as a kitchen ingredient or organic 'enhanced rice foods' by puffing, flaking, cooking to milling into flour.
Target end customer	Targeting customers aged from 30 to 55 years old who are conscious of healthy eating habits and value consistent and quality products. Key customers of the: • wholegrains product range are retailers and bulk food distributors; • snacking range are anticipated to be convenience stores and major supermarkets; and • flour range are food manufacturers and the food service industry.

3. COMPANY OVERVIEW

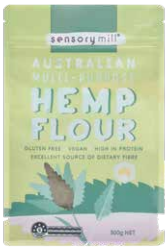
forbidden.

Key Products	The Forbidden Foods branded products can be broken into 3 key groups: 1. **Wholegrains – Core and microwaveable rice range:** This is the core range with approximately 16 SKUs that come in a variety of formats, from 125g units to 25kg units.  2. **Snacking – Sweet and savoury snack range:** Forbidden is anticipating the launch of a new range of Healthy Snacks in FY21 that will come in a variety of formats, from 20g units to 200g units.  3. **Flour – Rice flour, mixes and blends:** In 2018, Forbidden Foods expanded the existing Australian rice flour accessible market from 3 types of flour to 35 variations of flour. Forbidden Foods has since been supplying various types of rice flour to food manufacturers to be used in gluten free products. 
Number of SKUs	~30
Distribution	Major and independent retailers, convenience stores, bulk food distributors and food manufacturers.
IP	"Forbidden" is trademarked in Australia, New Zealand, Ireland, Singapore and United Kingdom.
Expansion strategy	• Upscale existing retail and wholesale relationships. • Export expansion within current supported territories and enter new markets in Asia, UK and Europe. • Implement sustainability initiatives to further 'green' the products to provide additional appeal to major retailers and distributors.

3. COMPANY OVERVIEW

3.4.3 Sensory Mill

sensory mill®

Snapshot	The Sensory Mill brand was created to form a broad and simple range of both organic and conventional ingredients derived from predominantly Australian and/or high value single wholegrains.
Target End Customer	Targeting customers aged from 18 to 55 years old who are conscious of food origins and follow health food trends.
Key Products	Sensory Mill products include grains, cereals, powders, flours, fruits and nuts.   
Number of SKUs	~15
Distribution	Sensory Mill products are distributed through independent supermarkets and bulk foods stores such as Costco.
IP	"Sensory Mill" is trademarked in Australia, China, Ireland, United Kingdom & United States.
Expansion strategy	• Increase the number of food service and food manufacturing companies utilising Sensory Mill products. • Source in bulk an increasing number of unique, exotic ingredients that are difficult for manufacturers to source cost effectively at small scale. • Export expansion within current supported territories.

3. COMPANY OVERVIEW

3.4.4 Funch

Snapshot	Funch was established in 2012 by two entrepreneurial mothers with a vision of creating a 'Fun Family Food' brand. The business and brand was acquired by Forbidden Foods in May 2019. Funch currently has retail lines including blended powders, snack and baking mixes.
Target End Customers	Predominantly targeting mothers from the age of 18 to 55, who want traceable, safe and healthy food for their family. Funch products are available in supermarkets and online.
Key Products	Funch products can be split into two main categories: 1. DIY cooking mixes: Snack mixes and baking mixes for protein balls and bliss balls, as well as a range of gut health smoothie blends.  2. Baby Foods: Funch is launching in the second half of 2020 a range of baby and infant fruit and grain purees and foods. 
Number of SKUs	~12 (+~12 on launch of Baby Food Range)
Distribution	Retailers and via online website.
IP	"Funch" is trademarked in Australia, New Zealand and United Kingdom.
Expansion strategy	• Launch Funch Baby Food products in the second half of 2020 to Australian and Asian markets. • Secure distributors in Asia with scale that have expressed interest for its new Baby Food products. • Broaden Funch distribution to major and independent retailers in Australia. • Focus on driving online interaction and e-commerce sales.

3. COMPANY OVERVIEW

3.5 COMPANY OPERATIONS

3.5.1 Operations

Forbidden Foods is headquartered in Melbourne, Australia with the majority of its business operations currently occurring within Australia and New Zealand (through its wholly-owned New Zealand subsidiary).

The Company has four main departments:

1. **Procurement and sales:** Manages commercial relationships and day-to-day transactions with customers and suppliers including the sale and procurement of goods as well as receiving and executing orders from customers and suppliers.
2. **Operations administration:** Manages the receipt of orders, relations with warehouses, coordinating delivery with customers, generating invoices and other administrative tasks. The Company utilises the latest cloud based systems for its supply chain, accounting and e-commerce operations.
3. **Quality control:** Reviewing orders received from customers and orders executed with the suppliers, reviewing the documents accompanying the orders executed through the entire sale and manufacturing process.
4. **Finance:** Responsible for the bookkeeping, payment to suppliers, collection from customers, management of lines of credit from banks and preparing the Company's financial statements.

3.5.2 Food Safety and Certifications

Forbidden Foods is required to comply with a range of specific food safety, processing and labelling obligations under applicable laws and regulations at both State and Federal level. These include the Australia and New Zealand Food Standards Code that ensure safety and standards, and Australian Consumer Law that provides consumer guarantees in labelling.

Forbidden Foods has obtained a range of certifications and adhere to the following standards:

- Certificate of Conformity with the British Retail Consortium (BRC) Global Standard.
- NASAA Certified Organic.
- Registered with the U.S. Food and Drug administration for exports into the United States.
- Registered Ministry for Primary Industries Food Importer (New Zealand).

BRC Certificate

NASAA Certified Organic

USDA Certified Organic

Food safety standards and maintenance of organic certifications are paramount and underpin the success of Forbidden Foods.

3.5.3 Standard trading arrangements

Trading terms vary between customers but are generally on industry-standard terms. The Company's trading terms with its major retail customers are typically its customer's standard trading terms.

Forbidden Foods mainly engages its retail customers through uncontracted arrangements where customers have no obligation to continue purchasing products or to purchase a particular volume of products. Payment terms are generally 30 days of invoice meaning that the Company's working capital requirements will increase as the business scales.

Food service, food manufacturing and QSR customers receive pricing that is typically reviewed annually, security of supply, and warranty of the Company's certifications to ensure that its health and sustainability claims flow through to their end products. As the Company's customers seek to provide their end-customers with consistency of product, once an agreement is in place it is unlikely that ingredient or product changes are made, particularly if the ingredient is difficult to source. This is a contributing factor to customer retention and why customer tenure for Forbidden Foods is lasting with each customer.

3. COMPANY OVERVIEW

3.6 MARKETING AND BRAND STRATEGY

There are a number of competitors to Forbidden Foods in its targeted segments of the Food and Beverage Industry. Market participants seek to differentiate themselves in the following ways:

- Product prices
- Variety of products that can be delivered
- Product availability
- Service standards

The Company seeks to maintain a competitive advantage with a wide range of healthy bulk and retail food products that are competitively priced, always available and of a high quality.

With a number of attractive touch points such healthy, clean, and organic foods, Forbidden Foods believes it can stand out using the following strategy:

- **Build exposure and awareness:** Create more visibility for its products in cooking, recipes and as snacks as used by chefs, key opinion leaders and influencers to generate more interest in the Company's products.
- **Build brand loyalty:** As an independent company with compelling, differentiated products, Forbidden Foods believes that it is well positioned to grow its brand profile by increasing the number of products under the current brand architecture. For example, if a mother likes Funch Smoothie Blends then they can try Funch Baby Food.
- **Digital strategy:** Marketing will be focused on demand generation supported by a re-ordering program to retain customers. The marketing strategy is based on targeted, cost effective communications using search engine optimisation and social media marketing.

3.7 KEY BUSINESS STRENGTHS

The Company believes it has a number of key strengths that will allow it to compete and grow in its target markets.

Operates in growing segments of the Food and Beverage Industry	With a differentiated product range with consumer appeal in the growing Organic Food, Healthy Snack and Baby Food market segments, Forbidden Foods is positioned to compete and capture market share.
Attractive international growth opportunities	The market segments that Forbidden Foods competes in are significant markets in Australia and are expected to experience growth globally, particularly the Baby Foods sector, which is expected to grow significantly from large emerging markets in China and South-East Asia.
Supplier of premium brands	Forbidden Foods recognised the demand for healthy, better-for-you food products and its brands are attractive to health conscious end-consumers who demand premium products. Forbidden Foods has been supplying premium foods such as its black rice product since 2012. With over 50 SKUs available across its three brands, there is scope to increase sales for each product line to each of its key customer segments.
New product development	The Company is known for its differentiated products and exotic ingredients. This advantage is maintained by identifying key trends in food, for instance black rice or gluten-free rice flours. In recent years, the Company has identified Healthy Snacks and Organic Foods as key product lines to develop to the retail market. In the near term, the Company plans to launch its Funch organic and natural Baby Food range to markets in Asia where: (a) demand for infant foods, (b) food provenance, and (c) 'Brand Australia' products are key drivers of demand. Forbidden Foods continues to assess and develop new product opportunities with the aim of increasing awareness of, and accessibility of, health food products. A broader product range will enable the Company to target a wider range of end customers and reduce product concentration risk.

3. COMPANY OVERVIEW

Certified organic	Forbidden Foods has certified organic production for its Forbidden bulk rice products and Healthy Snack products. This ensures these products can be sold at a higher price than standard rice, and is desirable to health and sustainability conscious consumers. The Company will seek to extend its certified organic status to additional products and brands where feasible.
Broad customer base	Directly and through its distributors, the Company supplies a broad range of major retailers, independent retailers, food service, food manufacturing and QSRs. Each customer provides an opportunity for additional sales while reducing concentration risk.
Established scalable and sustainable supply chain and multi-distribution network	The Forbidden Foods business model is an asset-light, flexible production model that allows it to outsource manufacturing and packaging to key groups whose expertise, facilities and management believes are the best quality for cost.
Management expertise and experience	Management has been operating the business successfully for the past 10 years and have the network, skills and know-how to execute on the Company's growth plan.

Forbidden Foods has implemented a number of strategic priorities in order to build on and broaden its key strengths and position itself for growth in the Food and Beverage Industry. The Company will seek to broaden its strengths by:

- investing in in-house production capabilities for quality assurance;
- partnering with farms to improve supply chain traceability; and
- removing plastic from its supply chain and packing on demand to reduce wastage to increase its ESG (environmental, social and governance) appeal.

3.8 GROWTH STRATEGY

Forbidden Foods has a strategic growth plan to capture market share and generate new revenues:

Launch of baby food product line	Forbidden Foods is currently in the process of launching a new Funch range of 100% Australian-made Baby Food products, suitable for both domestic distribution and distribution into Asia. The Company is currently in discussions with various parties regarding distribution of this product line internationally and the Company expects that this product line will be a strong growth opportunity over the medium term. Forbidden Foods will seek to leverage its existing relationships with local and overseas retail operators to increase the distribution of this product line.
Product development and innovation	Management will continue to utilise their skills in identifying key consumer trends for specialty food products and drive growth by exploiting new opportunities they identify within the Food and Beverage Industry. For example, the business has recently entered into, or is about to enter into, high value retail lines including Baby Foods, blended powders, Healthy Snacks and baking mixes with the 'Funch' brand.
Increasing existing market penetration	Forbidden Foods will look for new distribution opportunities to grow its brands' accessibility at key retail touch points in supermarkets, specialty organic and health food outlets as well as new potential e-commerce channels. Forbidden Foods will seek to leverage the trust and experience management have built over 10 years to increase brand exposure in both domestic and international markets. Taking advantage of existing partnerships will assist Forbidden Foods to increase market penetration.

Increasing online presence	As Forbidden Foods has grown its Healthy Snack and retail product portfolio there is potential to grow Direct-to-Consumer sales strategies and online buying through its online websites. Forbidden Foods will seek to increase its online capability by upgrading its e-commerce capabilities and create marketing funnels to capture consumer enquiry for its products.
Broaden international focus	The Company plans to increase export sales into Asia, North America & Europe through existing and new partnerships. Each new product brought to market creates a new opportunity to multiply its market potential overseas.

3.9 THE COVID-19 PANDEMIC AND THE IMPLICATIONS ON THE COMPANY'S BUSINESS

3.9.1 Overview

COVID-19 is a global pandemic that has affected businesses and workforces globally. There has been rapid developments in the spread of COVID-19 which has brought significant volatility in the financial markets both globally and in Australia.

While COVID-19 is still spreading and the final implications of the pandemic are unknown and difficult to estimate, the ongoing pandemic may have a significant adverse effect on Forbidden Foods (see Section 5.2.6).

As at the Prospectus Date, the implications of COVID-19 on the Company's financial performance in FY2021 is not possible to estimate with any certainty.

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

3.9.2 Impact of COVID-19 on supply chain

3.9.2.1 Sourcing Raw Materials

Forbidden Foods is not currently experiencing any supply chain issues with respect to raw materials as a result of COVID-19. Forbidden Foods is not materially dependent upon any one procurement supplier and trading arrangements are typically on a purchase order basis. Therefore the Company is generally not subject to minimum or maximum order requirements and can request increased volumes of supplies where there is increased demand (and reduce its order volumes if there is decreased demand).

It had previously experienced a 3 to 4 week delay on the supply of one product, 25kg bags of Jasmine Rice from Vietnam, however this delay has resolved.

3.9.2.2 Manufacturing and Packaging

Certain manufacturers that Forbidden Foods engages have experienced temporary reductions in staffing levels and temporary operational disruptions as a result of social distancing measures, which has limited their output capacity. This has led to increases in the cost to pack and produce some of Forbidden Foods' products. This is particularly the case in Victoria given the return to Stage 3 Restrictions on 8 July 2020.

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

Accordingly, whilst Forbidden Foods has had to broaden its manufacturing network, it has not experienced any material capacity constraints and, if the current COVID-19 restrictions remain in place (and do not increase in severity), the Company currently expects that it will continue to be able to outsource the production and manufacture of its products without material operational disruption.

3.9.2.3 Distribution Channels and Logistics

Forbidden Foods utilises distribution channels including major and independent retailers, food service, food manufacturing and QSRs. Forbidden Foods has an established network of distributors for its customer channels. Given the disruptions from COVID-19, certain distributors are experiencing delays in the delivery of products to retailers and end-customers.

Forbidden Foods is currently experiencing a 1-2 week delay in the delivery of products to end customers due to the increased time required to transport raw materials, packaging and finished products to and from a wider range of factories and manufacturers. At present, these delays are not considered significant or material by the Company.

Many businesses are experiencing an increase in debtors as a result of COVID-19. Forbidden Foods engages large distributors to distribute many of its products to food service customers. Where a distributor is engaged, purchase orders and invoicing are processed through the distributor, and therefore the distributor is exposed to credit risk.

3.9.3 Impact of COVID-19 on sales

Due to the element of the unknown surrounding COVID-19 there has been a surge in buying generally by consumers stocking up on food and beverage supplies. Retailers initially experienced significant increased demand for certain products and, as a result, the Company has experienced an uplift in demand for its staple products from its major retail customers.

At the Prospectus Date, certain 'panic buying' which was evident during the earlier phases of the COVID-19 pandemic had subsided. As a result, sales have been normalising.

Revenue and other income of Forbidden Foods have been impacted by the COVID-19 pandemic. These impacts have included in recent months, an increased demand for the Company's products through its retail channels, but also a reduction in demand from the Company's food service and food manufacturer customers.

For further detail, refer to Sections 4.6.9 and 4.7.

3.9.4 Business Continuity Planning

Management have developed priorities to allow Forbidden Foods to maintain a business-as-usual position and provide a safe work environment for the Company's employees. These priorities include people safety and continuous engagement, strategies for business continuity and communicating with customers, suppliers and manufacturers.

Forbidden Foods has initiated flexible work arrangements that allows employees to work remotely and safely. The business operates on cloud based platforms and all staff have access to a laptop. Management provides regular communications in accordance with government announcements to keep employees up to date and has regular 'check-ins' with employees to help staff remain engaged. As the Company is anticipating the imminent launch of new products, the workloads of employees has not been reduced and Forbidden Foods is confident that the new products will launch on time despite work from home arrangements.

Forbidden Foods has not made any changes to its staffing levels as a result of the COVID-19 pandemic and does not currently anticipate needing to make any changes to its staffing levels.

4.

FINANCIAL INFORMATION



4. FINANCIAL INFORMATION

4.1 INTRODUCTION

The Financial Information of Forbidden Foods contained in this Section 4 comprises:

HISTORICAL FINANCIAL INFORMATION	SECTION
Statutory historical consolidated income statements for the financial years ended 30 June 2018 ("**FY2018**") and 30 June 2019 ("**FY2019**") and the half years ended 31 December 2018 ("**1H2019**") and 31 December 2019 ("**1H2020**") (together the "**Statutory Historical Income Statements**")	4.3
Pro forma historical consolidated income statements for FY2018, FY2019, 1H2019 and 1H2020 (together the "**Pro Forma Historical Income Statements**")	4.3
A reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements	4.3.1
Statutory historical consolidated balance sheet as at 31 December 2019 ("**Statutory Historical Balance Sheet**")	4.4
Pro forma historical consolidated balance sheet as at 31 December 2019 ("**Pro Forma Historical Balance Sheet**")	4.4
Statutory historical consolidated cash flow statements for FY2018, FY2019, 1H2019 and 1H2020 (together the "**Statutory Historical Cash Flow Statements**")	4.5
Pro forma historical consolidated cash flow statements for FY2018, FY2019, 1H2019 and 1H2020 (together the "**Pro Forma Historical Cash Flow Statements**")	4.5
A reconciliation of the Statutory Historical Cash Flow Statements to the Pro Forma Historical Cash Flow Statements	4.5.1

FORECAST FINANCIAL INFORMATION	SECTION
Statutory forecast consolidated income statement for the financial year ending 30 June 2020 ("**FY2020**") ("**Statutory Forecast Income Statement**")	4.3
Pro forma forecast consolidated income statement for FY2020 ("**Pro Forma Forecast Income Statement**")	4.3
A reconciliation of the Statutory Forecast Income Statement and Pro Forma Forecast Income Statement	4.3.1
Statutory forecast consolidated cash flow statement for FY2020 ("**Statutory Forecast Cash Flow Statement**")	4.5
Pro forma forecast consolidated cash flow statement for FY2020 ("**Pro Forma Forecast Cash Flow Statement**")	4.5
A reconciliation of the Statutory Forecast Cash Flow Statement to the Pro Forma Forecast Cash Flow Statement	4.5.1

4. FINANCIAL INFORMATION

Also summarised in this section are:

- the basis of preparation and presentation of the Historical Financial Information and Forecast Financial Information (see Section 4.2);
- Management's discussion and analysis of the Pro Forma Historical Financial Information and Forecast Financial Information (see Section 4.6);
- the Directors' best estimate general and specific assumptions and commentary underlying the Forecast Financial Information (see Section 4.7);
- the analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.8);
- the Company's proposed dividend policy (see Section 4.10); and
- a summary of the key changes in accounting policies adopted in the preparation of the Financial Information (see Section 4.11).

All amounts disclosed in this section are presented in Australian Dollars ("AUD"), unless otherwise noted.

The Forbidden Foods Group includes a company incorporated in New Zealand, Forbidden Foods Limited, that presented Historical Financial Information in New Zealand Dollars ("NZD"). The Historical Financial Information in relation to Forbidden Foods Limited has been converted and presented in AUD using the following exchange rates:

Description	FY2018	1H2019	FY2019	1H2020
	(NZD)	(NZD)	(NZD)	(NZD)
Average rate for the period[1] (AUD $1)	1.0883	1.0788	1.0648	1.0640
Spot rate at period end[2] (AUD $1)	1.0903	1.0519	1.0462	1.0412

1 The average rate for the period is used to convert the Statutory Historical Income Statements and Statutory Historical Cash Flow Statements.

2 The spot rate at period end is used to convert the Statutory Historical Balance Sheet.

The Company has a 30 June year-end for accounting purposes.

The Financial Information presented in this section should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards ("**AAS**"), issued by the Australian Accounting Standards Board ("**AASB**"), which are consistent with International Financial Reporting Standards ("**IFRS**") and interpretations issued by the International Accounting Standards Board. Forbidden Foods' significant accounting policies are set out in Appendix A and have been consistently applied throughout the financial periods presented, unless otherwise stated.

The Financial Information is presented in an abbreviated form in so far as it does not include all the presentation and disclosures required in an annual financial report prepared in accordance with AAS and the Corporations Act.

4. FINANCIAL INFORMATION

4.2.2 Preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information

The Financial Information has been reviewed and reported on by PKF Melbourne Corporate Pty Ltd ("**PKF Corporate**") whose Independent Limited Assurance Report is set out in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report.

The Historical Financial Information has been extracted from the audited consolidated financial statements of Forbidden Foods for FY2018 and FY2019 and the reviewed consolidated financial statements for 1H2020 (which includes comparative financial information for 1H2019), which were audited or reviewed by PKF Melbourne Audit & Assurance Pty Ltd ("**PKF Audit**").

The audit report for FY2018 contained a qualification in respect of the inventory balance held by Forbidden Foods as at 30 June 2018 and 30 June 2017. The audit report for FY2019 contained a qualification in respect of the opening inventory balance held by Forbidden Foods as at 30 June 2018. The basis for the qualified opinions in respect of the inventory balances held by Forbidden Foods were required as the auditors did not observe the counting of the physical inventories as at 30 June 2018 or 30 June 2017, since the respective dates and associated stock count procedures were prior to the time PKF Audit was engaged as auditor of Forbidden Foods. PKF Audit was unable to perform alternative audit procedures to confirm the existence of the inventory balances at 30 June 2018 or 30 June 2017. This issue was not deemed to be pervasive to the financial statements in either financial year. PKF Audit did not modify their audit opinion or review conclusion in respect of closing inventory balances as at 30 June 2019 or 31 December 2019.

The statutory financial statements for 1H2020 were reviewed by PKF Audit, which has issued an unmodified review conclusion.

The audit reports for FY2018 and FY2019 and the review report for 1H2020 each include a material uncertainty paragraph in respect of going concern. These determinations were made based on references to prior year losses and cash outflows from operations, neither the audit opinions for FY2018 and FY2019 nor the review conclusion for 1H2020 were modified in respect of this matter. Notwithstanding the material uncertainty in respect of going concern, the Directors are confident the Company will continue as a going concern as described in Section 4.9.

The Pro Forma Historical Income Statements and Pro Forma Historical Balance Sheet has been prepared solely for the purposes of inclusion in this Prospectus.

The Pro Forma Historical Income Statements are based on Statutory Historical Income Statements for FY2018 and FY2019, reviewed Statutory Historical Income Statements for 1H2020 (including comparative financial information for 1H2019) and adjustments relating to one-off offer costs, general and administrative expenses and the adoption of changes in accounting standards as described in Section 4.11.

The Pro Forma Historical Balance Sheet has been derived from the Statutory Historical Balance Sheet as at 31 December 2019 adjusted for certain material transactions since that date, as if they had taken place as at 31 December 2019.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus.

The Forecast Financial Information has been prepared by Forbidden Foods based on an assessment of current economic and operating conditions and best estimate general and specific assumptions as set out in Section 4.7.

The Forecast Financial Information is based on the Statutory Historical Income Statement for 1H2020 and the Directors' best estimate assumptions for the six-months ending 30 June 2020 incorporating current trading performance.

The Statutory Forecast Income Statement and Statutory Forecast Cash Flow Statement represent the Directors' best estimates of the financial performance and cash flows which they expect to report in their general purpose statutory financial statements for FY2020.

The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and the risks are intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or materially negative effect on Forbidden Foods' actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Forbidden Foods, the Directors and Management, and are not reliably predictable. Accordingly, neither Forbidden Foods, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information unless otherwise noted. Forbidden Foods has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Forecast Financial Information should be read in conjunction with the best estimate assumptions in Section 4.7, the sensitivity analysis in Section 4.8, the risk factors in Section 5 and other information set out in this Prospectus.

4.2.4 Explanation of certain non-IFRS measures

Forbidden Foods uses certain measures to manage and report on the Company's financial performance that are not recognised under AAS. These measures are collectively referred to as non-IFRS measures (non-IFRS financial measures). The principle non-IFRS financial measures that are referred to in this Prospectus include the following:

- EBITDA is earnings before interest, taxation, depreciation and amortisation; and
- EBIT is earnings before interest and taxation.

These measures are reconciled to net profit/(loss) after tax ("NPAT") in Section 4.3.

Although the Directors believe that these measures provide useful information about the financial performance of Forbidden Foods, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the AAS and not as a replacement for them. As these non-IFRS financial measures are not based on AAS, they do not have standard definitions, and the way Forbidden Foods have calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS measures.

4. FINANCIAL INFORMATION

4.3 PRO FORMA AND STATUTORY HISTORICAL AND FORECAST INCOME STATEMENTS

Table 4.1 below sets out the Pro Forma Historical Income Statements and Statutory Historical Income Statements for FY2018 and FY2019 and the Pro Forma Forecast Income Statement and Statutory Forecast Income Statement for FY2020 based upon the impact of the Minimum Subscription amount to be raised under the Offer. For an explanation of the key income statement line items refer to Section 4.6.

Table 4.1 Pro Forma and Statutory Historical and Forecast Income Statements for FY2018, FY2019 and FY2020

	Pro Forma			Statutory		
	FY2018 (a)	FY2019 (a)	FY2020 (a + f)	FY2018 (a)	FY2019 (a)	FY2020 (a + f)
	$	$	$	$	$	$
Revenue	3,120,252	3,429,344	4,117,706	3,374,522	3,429,344	4,117,706
Cost of sales	(2,049,755)	(2,206,108)	(2,695,851)	(2,049,755)	(2,206,108)	(2,695,851)
Gross profit	1,070,497	1,223,236	1,421,855	1,324,767	1,223,236	1,421,855
Gross profit margins (%)	34.3%	35.7%	34.5%	39.3%	35.7%	34.5%
Other income	3,500	6,690	61,728	3,500	6,690	61,728
Employee benefits expense	(512,800)	(604,414)	(973,520)	(277,050)	(409,664)	(814,369)
Freight out and distribution expense	(357,346)	(434,686)	(634,949)	(357,346)	(434,686)	(634,949)
Marketing and promotion costs	(178,754)	(71,423)	(218,488)	(433,024)	(71,423)	(218,488)
Occupancy costs	(9,845)	(5,442)	(19,743)	(50,799)	(56,387)	(19,743)
Other expenses	(583,213)	(540,515)	(990,892)	(360,931)	(318,233)	(835,465)
Costs of the offer	–	–	–	–	–	(149,498)
EBITDA	(567,961)	(426,554)	(1,354,009)	(150,883)	(60,467)	(1,188,929)
EBITDA margins (%)	-18.2%	-12.4%	-32.9%	-4.8%	-1.8%	-28.9
Depreciation and amortisation expense	(41,465)	(56,773)	(120,621)	(4,350)	(10,931)	(120,621)
EBIT	(609,426)	(483,327)	(1,474,630)	(155,233)	(71,398)	(1,309,550)
EBIT margins (%)	-19.5%	-14.1%	-35.8%	-4.6%	-2.1%	-31.8%
Finance costs	(114,504)	(128,894)	(1,110,391)	(107,865)	(121,099)	(1,110,391)
Income tax (expense)/benefit	–	–	–	–	–	–
Net profit/(loss) after tax	(723,930)	(612,221)	(2,585,021)	(263,098)	(192,497)	(2,419,941)

Periods denoted as "(a)" represent actual statutory and pro forma historical results. Columns denoted with "(a + f)" represents a combination of actual statutory and pro forma historical and forecast results.

4. FINANCIAL INFORMATION

Table 4.2 below sets out the Pro Forma and Statutory Historical Income Statements for 1H2019 and 1H2020.

Table 4.2 Pro Forma and Statutory Historical Income Statements for 1H2019 and 1H2020

	Pro Forma 1H2019 (a)	Pro Forma 1H2020 (a)	Statutory 1H2019 (a)	Statutory 1H2020 (a)
	$	$	$	$
Revenue	1,899,438	2,144,352	1,899,438	2,144,352
Cost of sales	(1,240,348)	(1,395,257)	(1,240,348)	(1,395,257)
Gross profit	659,090	749,095	659,090	749,095
Gross profit margins (%)	34.7%	34.9%	34.7%	34.9%
Other income	–	11,728	–	11,728
Employee benefits expense	(317,201)	(337,425)	(219,826)	(240,050)
Freight out and distribution expense	(231,668)	(282,426)	(231,668)	(282,426)
Marketing and promotion costs	(39,519)	(103,261)	(39,519)	(103,261)
Occupancy costs	(3,358)	(13,925)	(28,654)	(13,925)
Other expenses	(283,814)	(391,324)	(172,673)	(280,183)
Costs of the offer	–	–	–	–
EBITDA	(216,470)	(367,538)	(33,250)	(159,022)
EBITDA margins (%)	-11.4%	-17.1%	-1.8%	-7.4%
Depreciation and amortisation expense	(28,562)	(50,148)	(5,641)	(50,148)
EBIT	(245,032)	(417,686)	(38,891)	(209,170)
EBIT margins (%)	-12.9%	-19.5%	-2.0%	-9.8%
Finance costs	(68,679)	(331,079)	(64,567)	(331,079)
Income tax (expense)/benefit	–	–	–	–
Net profit/(loss) after tax	(313,711)	(748,765)	(103,458)	(540,249)

Periods denoted as "(a)" represent actual statutory and pro forma historical results

4. FINANCIAL INFORMATION

Table 4.3 below provides a breakdown of the finance costs and a reconciliation between the finance costs included in the Statutory and Pro Forma Historical and Forecast Income Statements.

Table 4.3 Finance Costs

		FY2018 (a)	FY2019 (a)	FY2020 (a + f)	1H2019 (a)	1H2020 (a)
	NOTE	$	$	$	$	$
Bank interest		2	–	–	–	–
Cost of raising the Convertible Notes	1	–	–	170,434	–	170,434
Convertible Notes expense	2	–	–	807,999	–	85,511
Debtor finance charges		33,140	52,260	61,456	27,812	32,473
Finance costs for lease assets in use		–	–	6,720	–	3,113
Trade finance charges		74,723	68,839	63,782	36,755	39,548
Statutory finance costs		107,865	121,099	1,110,391	64,567	331,079
Pro forma adjustments						
Finance costs for lease assets in use		6,639	7,795	–	4,112	–
Pro forma finance costs		114,504	128,894	1,110,391	68,679	331,079

1 Includes one-off costs incurred by the Company in issuing the Convertible Notes including selling fees and management fees paid to the Lead Manager and Corporate Adviser and legal fees for preparing the Convertible Note Agreements.

2 The Convertible Notes expense comprises the following specific items:

- The simple, non-compounding interest accrued on the Convertible Notes at a rate of 10% per annum; and
- Recognition of the fair value of the 30% discount to the Offer Price the Convertible Noteholders will receive on the conversion of the Convertible Notes (together with accrued interest).

The Directors anticipate the Company will incur further finance costs in respect of the Convertible Notes of approximately $0.241 million between 30 June 2020 and Completion of the Offer. After Completion of the Offer, there will be no finance costs incurred by the Company in respect of the Convertible Notes.

4. FINANCIAL INFORMATION

4.3.1 Reconciliation of Statutory Income Statements to Pro Forma Income Statements

Table 4.4 below provides a reconciliation between the Statutory and Pro Forma Historical and Forecast Income Statements:

Table 4.4 Reconciliation of Statutory to Pro Forma Historical and Forecast Income Statements

	Notes	FY2018 (a)	FY2019 (a)	FY2020 (a + f)	1H2019 (a)	1H2020 (a)
		$	$	$	$	$
Statutory Income Statements						
Net profit/(loss) after tax		(263,098)	(192,497)	(2,419,941)	(103,458)	(540,249)
Adjustments:						
Rent expense	1	40,954	50,945	–	25,296	–
Amortisation of lease assets in use	1	(37,115)	(45,842)	–	(22,921)	–
Finance costs for lease assets in use	1	(6,639)	(7,795)	–	(4,112)	–
Revenue	2	(254,270)	–	–	–	–
Marketing and promotion costs	2	254,270	–	–	–	–
General and administrative expenses	3	(458,032)	(417,032)	(314,578)	(208,516)	(208,516)
One-off offer costs	4	–	–	149,498	–	–
Pro forma net profit/(loss) after tax		(723,930)	(612,221)	(2,585,021)	(313,711)	(748,765)

Periods denoted as "(a)" represent actual historical results. Columns denoted with "(a + f)" represents a combination of actual historical and forecast results.

Notes

1. Impact of AASB 16 Leases reflects an adjustment for the impact of adopting AASB 16 in order to show comparability between the periods. The financial performance for 1H2020 was prepared in accordance with AASB 16 however the periods prior to this (FY2018, 1H2019 and FY2019) had not. This adjustment reflects the impact on the financial performance had this standard been applied during these periods. Appendix A includes the accounting policy adopted by Forbidden Foods in relation to AASB 16.
2. Impact of AASB 15 Revenue from Contracts with Customers reflects an adjustment to reallocate the variable consideration within the transactions price such as discounts and rebates. AASB 15 was applied in the preparation of the Statutory Historical and Forecast Income Statements for the above financial periods except FY2018. Appendix A includes the accounting policy adopted by Forbidden Foods in relation to AASB 15.
3. General and administrative costs reflect an estimate of additional costs associated with being a listed entity. These costs include Non-Executive Directors' fees, listing fees, increases in CEO and COO costs, CFO costs, company secretary costs, share registry costs, directors' and officers' insurance premiums, investor relations costs, annual general meeting costs, annual report costs and other public company costs.
4. Offer costs reflect costs in relation to the Offer including the Corporate Adviser fees, legal and accounting due diligence fees and consultancy and advisory services which have not been taken up against equity. Total costs in relation to the Offer to be recognised in the income statement are expected to be approximately $0.491 million. Of these costs, approximately $0.149 million are included in the Statutory Forecast Income Statement for FY2020, with the difference to be recognised in the next financial year.

4.4 STATUTORY AND PRO FORMA HISTORICAL BALANCE SHEET

The Pro Forma Historical Balance Sheet is based on the reviewed Statutory Historical Balance Sheet as at 31 December 2019, adjusted for certain material transactions relating to subsequent events since that date (as if they had taken place as at 31 December 2019), and impacts of the Offer based upon the Minimum Subscription amount to be raised under the Offer.

The Pro Forma Historical Balance Sheet in Table 4.5 is provided for illustrative purposes only and is not represented as being necessarily indicative of Forbidden Foods' financial position upon completion of the Offer.

4. FINANCIAL INFORMATION

Table 4.5 Statutory and Pro Forma Historical Balance Sheet

	Notes	Reviewed 31 Dec 2019	Subsequent events (Note 1)	Impacts of The Offer (Note 2)	Pro Forma
		$	$	$	$
Assets					
Current assets					
Cash and cash equivalents	3	440,613	6,000	4,942,261	5,388,874
Trade and other receivables		755,396	(159,512)	–	595,884
Inventories		1,136,892	–	–	1,136,892
Income tax refundable		4,434	–	–	4,434
Other – current assets		80,172	–	–	80,172
Current tax assets		–	–	25,516	25,516
Total current assets		2,417,507	(153,512)	4,967,777	7,231,772
Non-current assets					
Property, plant and equipment		18,168	–	–	18,168
Intangibles		50,414	–	–	50,414
Right-of-use assets		204,006	–	–	204,006
Total non-current assets		272,588	–	–	272,588
Total assets		2,690,095	(153,512)	4,967,777	7,504,360
Liabilities					
Current liabilities					
Trade and other payables		741,071	508,510	–	1,249,581
Borrowings		1,416,687	717,654	(2,134,341)	–
Derivative financial instrument		662,824	251,890	(914,714)	–
Employee benefits		45,661	–	–	45,661
Lease liability		101,618	–	–	101,618
Other current liabilities		3,445	–	–	3,445
Total current liabilities		2,971,306	1,478,054	(3,049,055)	1,400,305
Non-current liabilities					
Employee benefits		18,537	–	–	18,537
Lease liability		103,436	–	–	103,436
Total non-current liabilities		121,973	–	–	121,973
Total liabilities		3,093,279	1,478,054	(3,049,055)	1,522,278
Net assets		(403,184)	(1,631,566)	8,016,832	5,982,082
Equity					
Issued capital	4	586,451	–	8,133,261	8,719,712
Reserves	5	(1,288)	140,721	375,200	514,633
Retained losses		(988,347)	(1,772,287)	(491,629)	(3,252,263)
Total equity		(403,184)	(1,631,566)	8,016,832	5,982,082

4. FINANCIAL INFORMATION

Note 1: Impact of Subsequent Events

The pro forma adjustments reflect the impact of the following material transactions which took place subsequent to 31 December 2019:

- A Share split occurred on 23 January 2020 which resulted in the subdivision of the Company's issued capital from 170 Shares into 40,000,000 Shares at a ratio of 1 to 235,294.117647.
- A Share consolidation occurred on 13 July 2020 which resulted in the reduction of the Company's issued capital from 40,000,000 Shares into 26,448,630 Shares at a ratio of 0.66121575 to 1.
- On 13 December 2019 the Company issued the Convertible Notes to Convertible Noteholders for total proceeds of $1.539 million ("Tranche 1"), and on 29 January 2020 the Company issued further Convertible Notes for total proceeds of $0.461 million ("Tranche 2"). The Company received $0.455 million of the $0.461 million in relation to Tranche 2 prior to 31 December 2019 with the balance of $0.006 million received after 31 December 2019.

  On Completion of the Offer, the Convertible Notes (together with accrued interest) will automatically convert into Shares at a 30% discount to the Offer Price. The discount upon conversion has been recognised as an embedded derivative which represents the fair value of the discount at the time the Convertible Notes were issued ("Embedded Financial Instrument") which is subsequently measured at fair value. After seeking valuation advisory services from an independent valuation firm, the Directors have applied a fair value to the Embedded Financial Instrument of approximately $0.660 million to Tranche 1 and $0.198 million to Tranche 2. As the accrued interest will also covert at a 30% discount to the Offer Price, a further Embedded Financial Instrument of $0.054 million has been recorded to recognise the discount upon conversion.

  The total value of the Convertible Notes immediately before Completion of the Offer is approximately $2.134 million which represents the $2.0 million Convertible Notes plus accrued interest of approximately $0.134 million. The total value of the Embedded Financial Instrument immediately before Completion of the Offer is approximately $0.915 million. Based on the Offer Price, at Completion of the Offer the Convertible Notes will convert to 15,245,291 Shares.

  The Shares will be issued under the terms of this Prospectus. Further information in relation to the Convertible Notes is included in Sections 4.4.2 and 9.4.
- The adjustment to reserves represents the issue of 1,500,000 Director Options to be issued to Colleen Lockwood and Mark Hardgrave (or nominees), which were approved by shareholders on 23 January 2020. After seeking valuation advisory services from an independent valuation firm, the Directors have applied a fair value of approximately $0.141 million to the Director Options, representing $0.0938 per Director Option. The binomial option pricing model was used to calculate the value of the Director Options, which applied a risk-free rate of 0.835% and a volatility of 88.2%. The fair value of the Director Options has been recognised as a share-based payment in accordance with AASB 2 Share Based Payments. The terms of the Director Options are described in Section 6.3.4.2.
- The adjustment to trade and other receivables and trade and other payables represents material movements in working capital during 2H2020.
- The adjustment to retained losses represents the finance charge on Convertible Notes, the issue of the Director Options and the adjustments to trade and other receivables and trade and other payables.

Note 2: Impacts of the Offer

The following pro forma adjustments reflect the impacts of the Offer:

- The issue of 30 million Shares at the Offer Price of $0.20 per Share amounting to $6 million under the Minimum Subscription. The issue of 1,000 Shares at the Offer Price of $0.20 per Share amounting to $0.0002 million under the Cleansing Offer.
- Costs of the Offer estimated to amount to approximately $2.07 million. Such costs have been taken up against equity and retained losses as required by AAS. Of the total costs of the Offer, approximately $1.58 million has been taken up against equity and approximately $0.49 million has been taken up against retained losses.
- The issue of 3,306,078 Adviser Shares to advisers amounting to a value of $0.661 million measured at the Offer Price of $0.20 per Adviser Share. These have been reflected as an adjustment to issued capital and treated as costs of the Offer.
- The issue of 4,000,000 Adviser Options to advisers for services pertaining to the Offer. After seeking valuation advisory services from an independent valuation firm, the Directors have applied a fair value of approximately $0.375 million to the Adviser Options, representing $0.0938 per Adviser Option. The binomial option pricing model was used to calculate the value of the Adviser Options, which applied a risk-free rate of 0.835% and a volatility of 88.2%. The fair value of the Adviser Options has been recognised as a share-based payment in accordance with AASB 2 Share Based Payments and has been reflected in an adjustment to reserves and as costs of the Offer. The terms of the Adviser Options are described at Sections 9.5.1 and 9.5.2
- Conversion of the full value of the Convertible Notes (including accrued interest) totalling approximately $2.134 million into 15,245,291 Shares at an effective conversion price of $0.14 per Share at the date of the Offer (refer Section 4.4.2). The conversion of the Convertible Notes also fully eliminates the value of the derivative financial instrument of $0.915 million at the date of the Offer. The total value of the Convertible Notes, including accrued interest, plus the derivative financial instrument of $3.049 million is reflected as an adjustment to issued capital, which reflects the issue of 15,245,291 Shares at the Offer Price of $0.20.

4. FINANCIAL INFORMATION

Note 3: Movements in Cash and Cash Equivalents

The following table provides a reconciliation between statutory historical and pro forma cash as at 31 December 2019:

Table 4.6 Reconciliation of Cash and Cash Equivalents

	Pro Forma
	$
Cash and cash equivalents	
Statutory as at 31 December 2019	440,613
Subsequent events:	
Proceeds from Convertible Notes[1]	6,000
Pro forma transactions:	
Proceeds from Cleansing Offer[2]	200
Proceeds from Offer	6,000,000
Costs of Offer[3]	(1,057,939)
Cash and cash equivalents pro forma balance	5,388,874

1 The $0.006 million proceeds from Convertible Notes represents the proceeds from the Convertible Notes that were received subsequent to 31 December 2019, as set out in Note 1 to this Section 4.4.

2 The proceeds from the Cleansing Offer represents 1,000 Shares at the Offer Price, as set out in Section 7.1.8.

3 The cash impact of costs of the Offer represents the gross costs of the Offer of $2.07 million, adjusted for 3,306,078 Adviser Shares (representing a cost of $0.661 million at the Offer Price), 4,000,000 Adviser Options (representing a cost of $0.375 million at a value of $0.0938 per Adviser Option), and ($0.02) million of GST incurred on costs of the Offer that the Company is able to recover.

Note 4: Movements in Issued Capital

The following table provides a reconciliation between statutory historical and pro forma historical issued capital as at 31 December 2019:

Table 4.7 Reconciliation of Issued Capital

	Pro Forma	Pro Forma
	NO.	$
Issued Capital		
Statutory as at 31 December 2019	170	586,451
Pro forma transactions:		
Share split	39,999,830	–
Share consolidation	(13,551,370)	–
Conversion of Convertible Notes	15,245,291	3,049,055
Issue of new Shares from Offer	30,000,000	6,000,000
Issue of new Shares from Cleansing Offer	1,000	200
Issue of Adviser Shares	3,306,078	661,216
Less: Costs of Offer attributable to new Shares		(1,577,210)
Issued capital pro forma balance	75,000,999	8,719,712

The diluted pro forma number of shares in the Company after reflecting 1,500,000 Director Options and 4,000,000 Adviser Options is 80,500,999 under the Minimum Subscription.

Note 5: Movements in Reserves

The following table provides a reconciliation between statutory historical and pro forma historical reserves as at 31 December 2019:

Table 4.8 Reconciliation of Reserves

	Pro Forma
	$
Reserves	
Statutory as at 31 December 2019	(1,288)
Subsequent events:	
Issue of Director Options	140,721
Pro forma transactions:	
Issue of Adviser Options	375,200
Reserves pro forma balance	514,633

4.4.1 Liquidity, Capital Resources and Indebtedness

Following completion of the Offer, Forbidden Foods' principal source of funds will be cash on its balance sheet.

Forbidden Foods expects its operating cash flows, together with cash on its balance sheet will be sufficient to meet its operational requirements and business needs, and position Forbidden Foods to grow its business.

As at 31 December 2019, Forbidden Foods had Pro Forma cash and cash equivalents of $5.4 million under the Minimum Subscription. This reflects the expected cash and cash equivalents balance had the subsequent events and Offer occurred as at 31 December 2019.

Table 4.9 Pro Forma Net Cash/(Debt) as at 31 December 2019

	Pro Forma
	$
Cash and cash equivalents	5,388,874
Current & Non-Current Debt[1]	–
Total Net Cash/(Debt)	5,388,874

1 Current and non-current debt is shown as nil in the Pro Forma Historical Balance Sheet as a result of the pro forma adjustment to reflect the full conversion of the Convertible Notes as set out in Note 2 to this Section 4.4.

4.4.2 Convertible Notes

At the date of this Prospectus, there are 2,000,000 Convertible Notes. Each Convertible Note was issued by the Company for $1.00 ("Face Value"). Accordingly, at the Prospectus Date the total principal amount of all issued Convertible Notes is $2.0 million.

The purpose of issuing the Convertible Notes was to raise capital for the Company to facilitate future growth and provide enough liquidity to fund the Offer process prior to completion of the Offer.

The key terms of issue of the Convertible Notes are set out in Section 9.4. All Convertible Notes will be automatically converted on Completion of the Offer and there will be no Convertible Notes on issue on and from Listing.

4.4.3 Other Financing Arrangements

Forbidden Foods has entered into a NAB Business Overdraft Facility (see Section 9.5.7) and a Scottish Pacific Tradeline Facility (see Section 9.5.8).

The NAB Business Overdraft Facility has a limit of $100,000, of which $0 was drawn as at the Prospectus Date.

The Scottish Pacific Tradeline Facility has a limit of US$250,000, of which approximately US$79,040 was drawn as at the Prospectus Date.

4. FINANCIAL INFORMATION

4.5 PRO FORMA AND STATUTORY HISTORICAL AND FORECAST CASH FLOW STATEMENTS

Table 4.10 below sets out the Pro Forma Historical Cash Flow Statements and Statutory Historical Cash Flow Statements for FY2018 and FY2019 and the Pro Forma Forecast Cash Flow Statement and Statutory Cash Flow Statement for FY2020.

Table 4.10 Historical and Forecast Cash Flow Statements

	Pro Forma			Statutory		
	FY2018 (a)	FY2019 (a)	FY2020 (a + f)	FY2018 (a)	FY2019 (a)	FY2020 (a + f)
	$	$	$	$	$	$
Cash flows from operating activities						
Receipts from customers	3,255,469	3,383,668	4,106,709	3,255,469	3,383,668	4,106,709
Payments to suppliers and employees	(3,664,146)	(3,719,112)	(5,471,506)	(3,247,068)	(3,353,025)	(5,156,928)
Other receipts	–	–	50,000	–	–	50,000
Income taxes	(15,147)	4,266	–	(15,147)	4,266	–
Net cash used in operating activities	**(423,824)**	**(331,178)**	**(1,314,797)**	**(6,746)**	**34,909**	**(1,000,219)**
Cash flows from investing activities						
Payments for intangibles	(3,115)	(42,924)	(9,397)	(3,115)	(42,924)	(9,397)
Payments for property, plant and equipment	(34,262)	(7,376)	(10,107)	(34,262)	(7,376)	(10,107)
Proceeds from sale of property, plant and equipment	–	26,261	–	–	26,261	–
Net cash used in investing activities	**(37,377)**	**(24,039)**	**(19,504)**	**(37,377)**	**(24,039)**	**(19,504)**
Cash flows from financing activities						
Proceeds from issue of shares	176,471	–	–	176,471	–	–
Proceeds from issue of convertible notes	–	–	2,000,000	–	–	2,000,000
Costs relating to the Offer/IPO	–	–	–	–	–	(291,973)
Finance costs	(114,504)	(128,894)	(290,707)	(107,865)	(121,099)	(290,707)
Repayment of borrowings	(25,928)	–	(152,352)	(25,928)	–	(152,352)
Repayment of lease liabilities	(34,315)	(43,150)	(104,579)	–	–	(104,579)
Net cash from/(used in) financing activities	**1,724**	**(172,044)**	**1,452,362**	**42,678**	**(121,099)**	**1,160,389**
Net increase/(decrease) in cash and cash equivalents	**(459,477)**	**(527,261)**	**118,061**	**(1,445)**	**(110,229)**	**140,666**

Periods denoted as "(a)" represent actual statutory and pro forma historical cash flows. Columns denoted with "(a + f)" represents a combination of actual statutory and pro forma historical and forecast cash flows.

4. FINANCIAL INFORMATION

Table 4.11 below sets out the Pro Forma Historical Cash Flow Statement and Statutory Historical Cash Flow Statement for 1H2019 and 1H2020.

Table 4.11 Historical Cash Flow Statements for 1H2019 and 1H2020

	Pro Forma		Statutory	
	1H2019 (a)	1H2020 (a)	1H2019 (a)	1H2020 (a)
	$	$	$	$
Cash flows from operating activities				
Receipts from customers	1,876,807	1,862,874	1,876,807	1,862,874
Payments to suppliers and employees	(2,194,658)	(3,181,440)	(2,011,438)	(2,972,924)
Income taxes	4,266	–	4,266	–
Net cash used in operating activities	(313,585)	(1,318,566)	(130,365)	(1,110,050)
Cash flows from investing activities				
Payments for intangibles	–	(9,397)	–	(9,397)
Payments for property, plant and equipment	(6,617)	(10,107)	(6,617)	(10,107)
Net cash used in investing activities	(6,617)	(19,504)	(6,617)	(19,504)
Cash flows from financing activities				
Proceeds from issue of convertible notes	–	1,539,000	–	1,539,000
Proceeds from funds received in advance	–	455,000	–	455,000
Finance costs	(68,679)	(245,568)	(64,567)	(245,568)
Repayment of borrowings	–	(152,352)	–	(152,352)
Repayment of lease liabilities	(21,184)	(41,357)	–	(41,357)
Net cash from/(used in) financing activities	(89,863)	1,554,723	(64,567)	1,554,723
Net increase/(decrease) in cash and cash equivalents	**(410,065)**	**216,653**	**(201,549)**	**425,169**

Periods denoted as "(a)" represent actual statutory and pro forma historical cash flows

4. FINANCIAL INFORMATION

4.5.1 Reconciliation of Statutory and Pro Forma Historical and Forecast Cash Flow Statements

Table 4.12 below provides a reconciliation between the Statutory and Pro Forma Historical and Forecast Cash Flow Statements for FY2018, FY2019, FY2020, 1H2019 and 1H2020:

Table 4.12 Reconciliation of Statutory and Pro Forma Historical and Forecast Cash Flow Statements

	Notes	FY2018 (a)	FY2019 (a)	FY2020 (a + f)	1H2019 (a)	1H2020 (a)
		$	$	$	$	$
Statutory net cash flows		(1,445)	(110,229)	140,666	(201,549)	425,169
Adjustments:						
Payments to suppliers	1	40,954	50,945	–	25,296	–
Repayment of lease liabilities	1	(34,315)	(43,150)	–	(21,184)	–
Finance costs for lease assets in use	1	(6,639)	(7,795)	–	(4,112)	–
General and administrative costs	2	(458,032)	(417,032)	(314,578)	(208,516)	(208,516)
One-off Offer costs	3	–	–	291,973	–	–
Pro forma net cash flows		(459,477)	(527,261)	118,061	(410,065)	216,653

Periods denoted as "(a)" represent actual historical cash flows. Columns denoted with "(a + f)" represents a combination of actual historical and forecast cash flows.

Notes

1. Impact of AASB 16 Leases reflects an adjustment for the impact of adopting AASB 16 in order to show comparability between the periods. The Statutory Historical Cash Flow Statement for 1H2020 was prepared in accordance with AASB 16 however the periods prior to this (FY2018, 1H2019 and FY2019) had not. This adjustment reflects the impact to the cash flow had this standard been applied during these periods. Appendix A includes the accounting policy adopted by Forbidden Foods in relation to AASB 16.
2. General and administrative costs reflect an estimate of additional costs associated with being a listed entity. These costs include Non-Executive Directors' fees, listing fees, increases in CEO and COO costs, CFO costs, company secretary costs, share registry costs, directors' and officers' insurance premiums, investor relations costs, annual general meeting costs, annual report costs and other public company costs.
3. One-off Offer costs reflects the cash impact of costs in relation to the Offer including the Lead Managers fees, Corporate Adviser legal fees, accounting due diligence fees and consultancy and advisory services. Total cash impact from costs of the Offer is expected to be approximately $1.058 million. Of this, approximately $0.292 million is included in the Statutory Forecast Cash Flow Statement for FY2020, with the difference to be recognised in the next financial year.

4.6 MANAGEMENT DISCUSSION AND ANALYSIS OF PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION

4.6.1 Overview

This section sets out a discussion of the main factors which affected Forbidden Foods operating and relative financial performance on a pro forma basis in FY2018, FY2019, 1H2019 and 1H2020 and a discussion of the key factors and assumptions underpinning the forecast financial performance for FY2020. Comments relating to the forecast financial performance in FY2020 should be read in conjunction with the key forecast assumptions set out in Section 4.7.

The discussion of these general factors is intended to provide a brief summary only and does not detail all the factors that affected historical operating performance, or everything which may affect Forbidden Foods operating and financial performance in the future.

The information in this Section 4.6 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.6.2 Revenue

Forbidden Foods derives revenue largely via the following means:

- Forbidden Foods supplies food products into the retail market, foodservice market and industrial sector. Revenue across these areas are largely comprised of Forbidden Foods own brand products which include Forbidden, Funch and Sensory Mill.
- Forbidden Foods revenue has grown year-on-year, influenced by new product innovation, volume growth in the health and wellness product categories as consumers become more health aware, further increasing relationships with distributors and customers as well as a general increasing demand for high quality food. Besides volume drivers, revenue is impacted by the price of products sold, reflecting market demand and the level of trade and promotional discounts, other settlement terms offered to key customers and the level of competition from other providers.

4.6.3 Gross margin

Forbidden Foods' gross margin is derived from revenue less costs of sales.

Cost of sales includes raw materials, packaging, costs associated with sub-contracted manufacturing, freight costs associated with procuring the product and the cost of finished goods purchased from third parties.

Forbidden Foods is focused on improving its gross margin whilst ensuring product quality and product availability is maximised as well as mitigating risks which may impact these.

Forbidden Foods utilises a capital-light, outsourced supply chain with strategic supply chain partners and balances contractual arrangements with flexibility to manage costs and supply risk.

4.6.4 Operating expenses

The following are the major operating expense categories for Forbidden Foods:

- Employee benefits expense includes the cost of salary and wages, superannuation, value of Director Options and other on-costs incurred.
- Freight out and distribution expense includes all outward freight costs to customers and warehousing costs.
- Marketing and promotion costs includes external costs relating to trade and consumer marketing associated to Forbidden Foods' own brands to support existing sales channels and expansion into new sales channels.
- Occupancy expenses includes utilities and other associated costs which do not form part of a lease agreement. Since the beginning of the FY2020 and 1H2020 financial periods, leases have been accounted for in accordance with AASB 16 Leases, the Pro Forma Financial Information for FY2018 and FY2019 have also included adjustments to reflect the accounting for leases in accordance with AASB 16. Appendix A includes the accounting policy adopted by Forbidden Foods in relation to AASB 16.
- Other expenses include Non-Executive Director costs, company secretary costs, new product development, other general and administrative costs associated with being a listed entity and external corporate function costs including IT, finance and legal, also prepared on a pro forma basis.

4.6.5 Depreciation and amortisation expense

The depreciation and amortisation expense includes depreciation of plant and equipment, depreciation of right-of-use assets and amortisation of trademark and website costs.

4.6.6 Finance costs

Finance costs include debtor finance fees, purchase invoice financing fees, interest expenses in relation to leases and the finance costs in relation to Convertible Notes.

The finance costs in relation to convertible notes include directly attributable transactions costs, the effective interest rate on the financial liability and the coupon interest on the Convertible Notes.

4. FINANCIAL INFORMATION

4.6.7 Pro Forma Historical Income Statements – FY2019 compared to FY2018

Table 4.13 below provides an analysis of the dollar and percentage changes between the Pro Forma Historical Income Statements for FY2019 and FY2018.

Table 4.13 Pro Forma Historical Income Statements: FY2019 Compared to FY2018

	FY2018	FY2019	Change	Change
	$	$	$	%
Revenue	3,120,252	3,429,344	309,092	9.9%
Cost of sales	(2,049,755)	(2,206,108)	(156,353)	7.6%
Gross profit	1,070,497	1,223,236	152,739	14.3%
Gross profit margins (%)	34.3%	35.7%	1.4%	
Other income	3,500	6,690	3,190	91.1%
Operating Costs				
Employee benefits expense	(512,800)	(604,414)	(91,614)	17.9%
Freight out and distribution expense	(357,346)	(434,686)	(77,340)	21.6%
Marketing and promotion costs	(178,754)	(71,423)	107,331	-60.0%
Occupancy costs	(9,845)	(5,442)	4,403	-44.7%
Other expenses	(583,213)	(540,515)	42,698	-7.3%
	(1,641,958)	(1,656,480)	(14,522)	0.9%
EBITDA	(567,961)	(426,554)	141,407	-24.9%
EBITDA margins (%)	-18.2%	-12.4%	5.8%	
Depreciation and amortisation expense	(41,465)	(56,773)	(15,308)	36.9%
EBIT	(609,426)	(483,327)	126,099	-20.7%
EBIT margins (%)	-19.5%	-14.1%	5.4%	
Finance costs	(114,504)	(128,894)	(14,390)	12.6%
Income tax (expense)/benefit	-	-	-	0.0%
Net profit/(loss) after tax	(723,930)	(612,221)	111,709	-15.4%

4. FINANCIAL INFORMATION

The key insights from the table above include:

Revenue

Total revenue increased by $309,092, or 9.9% in FY2019 largely driven by three factors: (a) increased orders from existing customers, (b) new customers and, (c) introduction of new sales lines. The new customers were in the industrial manufacturing sector. The new sales lines were targeted at the retail market and were introduced into the Australian market during Q4 of FY2018 and Q1 of FY2019 which continued to grow during FY2019. These products included the Brekky Rice 125g range.

Gross Profit

Gross profit increased by $152,739, or by 14.3%. This increase was primarily a result of increased sales as noted above, but a rise in gross profit margin of 1.4% from 34.3% in FY2018 to 35.7% in FY2019 also assisted in increasing gross profit.

Operating Costs

Operating costs were relatively consistent between FY2018 and FY2019 increasing by $14,522, or by 0.9%, however a number of the components which make up this total have changed more significantly as noted below.

Employee benefits expense increased by $91,614, or by 17.9% largely driven by the increase in headcount in the sales team.

Freight out and distribution expense increased by $77,340, or by 21.6% as a direct result in the increase in revenue and an increase in inventory stored throughout FY2019 which resulted in higher storage and handling expenses, included within the distribution expense.

Marketing and promotion costs decreased in FY2019 by $107,331, or by 60.0%. In FY2018 new sales lines were launched with strong marketing support. After the first three months of launching the new sales lines in Q4 FY2018, the same level of marketing support was not required after the launch. As a result, the level of marketing spend was reduced accordingly resulting in the decrease in FY2019 with sales remaining stable on those new lines.

Other expenses as previously noted consist of Non-Executive Director costs, company secretary costs, new product development, other general and administrative costs associated with being a listed entity and external corporate function costs including IT, finance and legal. These costs decreased in FY2019 by 7.3% to $540,515 as a result of a reduction in insurance costs and a one-off cost incurred in FY2018 associated with the setup and implementation of a new food safety program, with the expense not incurred again in FY2019.

EBITDA and EBIT

EBITDA was negative but improved by $141,407, or by 24.9% from –$567,961 to –$426,554. The improvement in EBITDA was due to increasing revenue and optimising existing product lines and sales contracts while providing less marketing support.

Similar to EBITDA, both EBIT and the EBIT margin have also improved, primarily as a result of the same factors which led to the improvements for EBITDA.

4. FINANCIAL INFORMATION

4.6.8 Pro Forma Historical Income Statements – 1H2020 compared to 1H2019

Table 4.14 below provides an analysis of the dollar and percentage changes between the Pro Forma Historical Income Statements for 1H2020 and 1H2019.

Table 4.14 Pro Forma Historical Income Statements: 1H2020 Compared to 1H2019

	1H2019	1H2020	Change	Change
	$	$	$	%
Revenue	1,899,438	2,144,352	244,914	12.9%
Cost of sales	(1,240,348)	(1,395,257)	(154,909)	12.5%
Gross profit	659,090	749,095	90,005	13.7%
Gross profit margins (%)	34.7%	34.9%	0.2%	
Other income	–	11,728	11,728	0.0%
Operating Costs				
Employee benefits expense	(317,201)	(337,425)	(20,224)	6.4%
Freight out and distribution expense	(231,668)	(282,426)	(50,758)	21.9%
Marketing and promotion costs	(39,519)	(103,261)	(63,742)	161.3%
Occupancy costs	(3,358)	(13,925)	(10,567)	314.7%
Other expenses	(283,814)	(391,324)	(107,510)	37.9%
	(875,560)	(1,128,361)	(252,801)	28.9%
EBITDA	(216,470)	(367,538)	(151,068)	69.8%
EBITDA margins (%)	-11.4%	-17.1%	-5.7%	
Depreciation and amortisation expense	(28,562)	(50,148)	(21,586)	75.6%
EBIT	(245,032)	(417,686)	(172,654)	70.5%
EBIT margins (%)	-12.9%	-19.5%	-6.6%	
Finance costs	(68,679)	(331,079)	(262,400)	382.1%
Income tax (expense)/benefit	–	–	–	0.0%
Net profit/(loss) after tax	(313,711)	(748,765)	(435,054)	138.7%

The key insights from the table above include:

Revenue

Total revenue increased by $244,914, or 12.9% to $2,144,352 in 1H2020. This growth was a result of three factors: (a) increased orders from existing customers, (b) new customers and, (c) introduction of three new sales lines. The new customers were in the food manufacturing and food service segment including Prestige Foods Australia and Miss Chu Restaurant Group. The three new sales lines were targeted at the retail market and were introduced into the Australian market in Q1 FY2020, the products included the Sensory Mill Freekeh 1kg, Forbidden Organic Wholegrain Blend 1.25kg and Forbidden Premium Gifting Sushi Kit.

Gross Profit

Gross profit also increased due to the increase in sales, rising by $90,005, or by 13.7% to $749,095 in 1H2020. The gross profit margin was relatively consistent between the two periods at 34.7% for 1H2019 and 34.9% for 1H2020.

4. FINANCIAL INFORMATION

Operating Costs

Total operating costs increased by $252,801, or by 28.9% to $1,128,361 in 1H2020, an analysis of the components giving rise to this movement has been included below.

Employee benefits expense increased in 1H2020 by $20,244, or by 6.4% primarily due to increases in salary packages and as a result of some role changes within the business.

Freight out and distribution expense increased by $50,758 to $282,426 in 1H2020. An objective of raising the pre-IPO funds was for Forbidden Foods to increase stock levels to be prepared for an increase in sales in the half-year ending 30 June 2020 ("2H2020"). The increased volume of inventory in storage has resulted in higher storage fees which is included in the distribution expense.

Marketing and promotion costs increased to $103,261 in 1H2020 from $39,519 in 1H2019, equating to an increase of $63,742. The increase was primarily due to the engaging of external agencies to assist in the expansion of Forbidden Foods consumer marketing programs for existing lines and upcoming product launches.

Other expenses increased in 1H2020 by $107,510, or by 37.9% due to the Company incurring additional expenses in preparing to become a publicly listed entity. These expenses included consulting fees and travel costs which increased significantly during the raising of the Convertible Notes and external consultants who assisted with upgrading IT systems and cyber security processes during 1H2020.

EBITDA and EBIT

EBITDA was negative and declined by $151,068, or by 69.8% to –$367,538 in 1H2020. This was expected by Management as investment was made in preparation for the growth plans. These plans included increased investment in marketing, IT systems and security infrastructure.

Similar to EBITDA, EBIT was also negative for these periods with the EBIT declining from –$245,032 in 1H2019 to –$417,686 in 1H2020. This movement was a result of the same factors which impacted the EBITDA level.

4. FINANCIAL INFORMATION

4.6.9 Pro Forma Historical and Forecast Income Statements – FY2020 compared to FY2019

Table 4.15 below provides an analysis of the dollar and percentage changes between the Pro Forma Historical Income Statement for FY2019 and the Pro Forma Forecast Income Statement for FY2020.

Table 4.15 Pro Forma Historical and Forecast Income Statements: FY2020 Compared to FY2019

	FY2019	FY2020	Change	Change
	$	$	$	%
Revenue	3,429,344	4,117,706	688,362	20.1%
Cost of sales	(2,206,108)	(2,695,851)	(489,743)	22.2%
Gross profit	1,223,236	1,421,855	198,619	16.2%
Gross profit margins (%)	35.7%	34.5%	-1.2%	
Other income	6,690	61,728	55,038	822.7%
Operating Costs				
Employee benefits expense	(604,414)	(973,520)	(369,106)	61.1%
Freight out and distribution expense	(434,686)	(634,949)	(200,263)	46.1%
Marketing and promotion costs	(71,423)	(218,488)	(147,065)	205.9%
Occupancy costs	(5,442)	(19,743)	(14,301)	262.8%
Other expenses	(540,515)	(990,892)	(450,377)	83.3%
	(1,656,480)	(2,837,592)	(1,181,112)	71.3%
EBITDA	(426,554)	(1,354,009)	(927,455)	217.4%
EBITDA margins (%)	-12.4%	-32.9%	-20.5%	
Depreciation and amortisation expense	(56,773)	(120,621)	(63,848)	112.5%
EBIT	(483,327)	(1,474,630)	(991,303)	205.1%
EBIT margins (%)	-14.1%	-35.8%	-21.7%	
Finance costs	(128,894)	(1,110,391)	(981,497)	761.5%
Income tax (expense)/benefit	–	–	–	0.0%
Net profit/(loss) after tax	(612,221)	(2,585,021)	(1,972,800)	322.2%

The key insights from the table above include:

Revenue

Total revenue is forecast to increase by 20.1% from $3,429,344 in FY2019 to $4,117,706 in FY2020. The growth in revenue is expected to be largely driven by three factors: (a) increased orders from existing customers, (b) new customers and, (c) introduction of new sales lines. The new customers were predominately in retail with Forbidden Foods supplying its first order to Metcash in Q4 FY2020 and a new retail distribution partnership in New Zealand. The new sales lines under Forbidden, Sensory Mill and Funch are targeted at the retail market and are being introduced into the Australian market in Q4 FY2020.

Gross Profit

Gross profit is forecast to improve by $198,619, or by 16.2% to $1,421,855 in FY2020. The gross profit margin is expected to decrease by 1.2% from 35.7% in FY2019 to 34.5% in FY2020, primarily driven by an increase in raw material costs, the lower AUD to United States Dollar ("USD") exchange rate in 2H2020 and the COVID-19 impacts on third-party contract manufacturers. Some third-party contract manufacturers have been impacted by social distancing measures which has limited their output capacity increasing the cost to pack and produce some of the Forbidden Foods' products.

Operating Costs

Total operating costs are forecast to increase by $1,181,112, or by 71.3% from $1,656,480 in FY2019 to $2,837,592 in FY2020.

Employee benefits expense is forecast to rise due to $104,068 incurred in relation to Director Options as well as an increase in headcount in multiple areas of the business including a Supply Chain Co-Ordinator, New Product Development Co-Ordinator, National Retail Sales Manager and a Chief Financial Officer. The forecast increase is $369,106, or by 61.1%.

Freight out and distribution expense is forecast to increase by $200,263 or by 46.1% in FY2020 to $634,949. This forecast increase is due to the higher levels of inventory which the business is carrying which increases the storage expense incurred by the Company. The increase in inventory was a strategic decision in order to prepare for increasing sales in 2H2020 and the following months.

Marketing and promotion costs are forecast to increase from $71,423 in FY2019 to $218,488 in FY2020. This $147,065 forecast increase is largely in relation to the preparations underway with external agencies that drive consumer marketing programs for existing lines and upcoming product launches.

Other expenses are forecast to increase by $450,377 or by 83.3% in FY2020 due to the Company incurring additional expenses in preparing to become a publicly listed entity. These expenses included consulting fees and travel costs which increased during the raising of the Convertible Notes and external consultants who assisted with upgrading IT systems, cyber security processes and website maintenance and upgrades during FY2020. Other key items contributing to the increase in other expenses include the new product development of the baby food trials and other costs associated with developing and trialling new products.

EBITDA and EBIT

EBITDA is forecast to continue to be negative in FY2020 and is forecast to decline by $927,455, or by 217.4% from –$426,554 in FY2019. As a result, the EBITDA margin is also forecast to be negative. This metric is forecast to decline from –12.4% in FY2019 to –32.9% in FY2020 primarily driven by the increased costs of operation as described above.

Like EBITDA, EBIT is also forecast to be negative, declining due to the same factors as those which impacted EBITDA. EBIT of –$1,474,630 in FY2020 is forecast representing an EBIT margin of –35.8%.

4.7 ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL INFORMATION

4.7.1 Overview

The Forecast Financial Information is based on various best estimate assumptions, including those set out in this section. They should be read in conjunction with the Independent Limited Assurance Report in Section 8, the risk factors set out in Section 5, the sensitivity analysis set out in Section 4.8 and all other information set out in this Prospectus.

Forbidden Foods believes the best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

The actual results are likely to vary from those forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Forbidden Foods and its Directors and are not reliably predictable. Accordingly, neither Forbidden Foods, its Directors, or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, which may have a material consequential impact on the Forecast Financial Information.

4.7.2 General Assumptions

In preparing the Forecast Financial Information, the following general assumptions relating to the forecast period have been adopted by Forbidden Foods:

- No material changes in applicable AAS or other mandatory professional reporting requirements or the Corporations Act, which have a material impact on Forbidden Foods financial performance, financial position, accounting policies, financial reporting or disclosure;
- There is no material change in the competitive and operating environments in which Forbidden Foods operates, including with any further COVID-19 impacts being limited to those further described in the Specific Assumptions section below;
- There is no material change in the legislative regimes (including tax) and regulatory environment in which Forbidden Foods operates;
- There is no material amendment to, or termination of, any material agreement relating to Forbidden Foods business other than as disclosed in this Prospectus;
- There is no significant deviation from current market expectations of economic conditions relevant to the sector in the forecast period (for example business confidence), other than noted above regarding COVID-19 or in the Specific Assumptions section below;
- There are no material changes in exchange rates;
- There are no significant disruptions to the continuity of operations of Forbidden Foods;
- There are no other material changes in Forbidden Foods business;
- There are no material acquisitions, disposals, restructures or investments for Forbidden Foods other than as set out in this Prospectus;
- There are no material changes to Forbidden Foods corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- There is no loss of key management personnel and Forbidden Foods will maintain the ongoing ability to recruit and retain the necessary personnel required to support the future growth plans of the business as set out in this document;
- There are no claims or material litigation, including industrial action or other disturbances, that will arise or be decided or settled to the detriment of Forbidden Foods;
- There are no additional contingent liabilities that will arise or be realised to the detriment of Forbidden Foods;
- None of the key risks set out in section 5 eventuate, or if they do, none of them has a material impact on the operations of Forbidden Foods; and
- The Forecast Financial Information is based on reviewed results for 1H2020, and the Directors' best estimate assumptions for the six-months ending 30 June 2020 incorporating current trading performance.

4.7.3 Specific Assumptions

In preparing the Forecast Financial Information, the following specific assumptions relating to the forecast periods have been adopted by Forbidden Foods:

Revenue and other income

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information in respect of FY2020 is set out below.

Revenue and other income of Forbidden Foods have been impacted by the recent COVID-19 pandemic. These impacts have included in recent months, an increased demand for the Company's products through its retail channels, but also a reduction in demand from the Company's food service and food manufacturer customers; as a result, this has made forecasting sales more difficult. Therefore, in order to provide a more reliable forecast, Management has used the reviewed results for 1H2020 and the results of current trading performance as a basis for forecast revenue in FY2020.

At the Prospectus Date, certain 'panic buying' which was evident during the earlier phases of the COVID-19 pandemic had subsided. As a result, sales have been normalising, as supported by research, comments by customers and also media reports.

Furthermore, as the COVID-19 pandemic was still in effect at the Prospectus Date, and there was no certainty as to when this may cease, the forecast revenue and other income has been prepared on the assumption that these factors will continue to impact Forbidden Foods, including the demand from retail channels, as well as food service and food manufacturer customers. This is further elaborated on below.

- Demand trends of Australian supermarkets and retail customers
  - Revenue assumptions have been developed with reference to product lines with Australian supermarkets, health food stores, grocers and sales via e-commerce. Growth assumptions for this category reflect the introduction of new product lines and organic growth of existing product lines amounting to a 30% increase in Q4 FY2020 compared to normalised Q3 FY2020, after removing the seasonal factors as well as the 'panic buying' experienced toward the end of this quarter. This assumption is based on commentary from key customers, research and media reports. Furthermore, a National Retail Sales Representative for Australia commenced on March 1st, 2020 who will assist in growing these sales figures and ensure Forbidden Foods' retail channels are appropriately supported.
- Wholesale Customers
  - Revenue assumptions have been developed with reference to product lines with major foodservice distributors and other wholesale customers such as food manufacturers. Sales to this segment are anticipated to decline by 50% during the forecast months to 30 June 2020 as a result of the COVID-19 restrictions limiting restaurant sales, and distributors limiting the stock they have on hand. This assumption has been determined based on sale reductions experienced by Forbidden Foods, discussions with key customers and also analysis of the impact experienced by competitors.
- Production of products in a timely manner
  - Revenue assumptions have been developed with the understanding that the production process to convert raw materials into finished products is completed when it is scheduled with third party contract manufacturers, and that adequate time has been allowed for this, reflecting past manufacturing timeframes, including during COVID-19. Delays in converting raw materials into finished products directly impacts the timing of revenue.

Cost of Sales

Cost of sales is forecast based on expected manufacturing production levels and current input pricing. Cost of sales is a factor of volume, raw material price and other manufacturing cost inputs such as availability of third-party production facilities. Raw material prices are volatile and respond to demand, exchange rates, export/import restrictions, competition amongst suppliers and availability of product. Raw materials have historically been approximately 88% of Forbidden Foods' cost of sales. While raw material prices can be volatile and difficult to predict, Forbidden Foods is generally able to secure pricing from suppliers and can pass on the higher prices to its customers within one to six months. Forecast cost of sales margins are based on the average cost of sales margins based on current trading conditions. The cost of sales is recognised in AUD, however raw materials are purchased in a mix of AUD and USD, so may fluctuate in line with the AUD to USD exchange rate. Although exchange rate fluctuations impact Forbidden Foods, the immediate impact of such fluctuations is limited as inventory often takes two to three months to be shipped to Australia, and thus be included in inventory or impact cost of sales. As a result, Management does not expect fluctuations in the exchange rates during 2H2020 to materially impact cost of sales.

Operating Expenses

Operating expenses are forecast based on the day-to-day operational requirements of Forbidden Foods, recognising the cost of supporting Forbidden Foods as a listed entity whilst building a platform for Forbidden Foods to grow in the future. Forbidden Foods expects the above operating expenses will continue to rise in the short term as its operations expand. The additional expenses expected to be incurred include marketing expenditure for supporting new product launches such as the Sensory Mill Flour Range, new product development with the Funch baby foods range and the new employees required to support the business.

4.8 SENSITIVITY ANALYSIS

The Forecast Financial Information included in Section 4.3 is based on a number of estimates and assumptions as described in Section 4.7. These estimates are subject to business, economic, relative exchange rate and competitive uncertainties and contingencies, many of which are beyond the control of Forbidden Foods, its Directors and Management, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out in the table below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key assumptions. Only the forecast performance for the half-year ending 30 June 2020 has been sensitised, as the financial performance for the half-year ended 31 December 2019 is based on actual historical financial results.

4. FINANCIAL INFORMATION

As previously noted, Forbidden Foods is impacted by exchange rate fluctuations, however as it takes two to three months to ship product to Australia, exchange rate changes will also take two to three months to impact the cost of sales and inventory. Therefore, due to the relatively short timeframe of the forecast, an exchange rate movement is expected to have a limited impact on FY2020, although impacts to future periods may be material.

As previously noted, delays in converting raw materials into finished products directly impacts the timing of revenue. The Directors have assessed the level of finished products on hand in light of the forecast revenue and have determined that, due to the relatively short timeframe of the forecast, there is a sufficient level of finished products on hand to mitigate the risk of delays in the production process. As such, the Directors do not expect the Forecast Financial Information to be materially impacted by delays in the production process.

The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Table 4.16 Sensitivity Analysis (Six Months to June 2020)

		Pro Forma FY2020 EBITDA	
	Increase/ Decrease	Increase	Decrease
	%	$	$
Pricing	+/- 10%	216,444	(216,444)
Volume	+/- 10%	59,179	(59,179)
Cost of goods sold	+/- 10%	(131,545)	131,545
Overhead expenses	+/- 10%	(147,530)	147,530

4.9 GOING CONCERN

The Financial Information has been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The audit reports for FY2018 and FY2019 and the review report for 1H2020 each include a material uncertainty paragraph in respect of going concern. These determinations were made based on references to prior year losses and cash outflows from operations, the audit opinions for FY2018 and FY2019 and the review conclusion for 1H2020 were not modified in respect of this matter.

Notwithstanding the material uncertainty in respect of going concern, the Directors are confident that the expected successful completion of the Offer and the proceeds to be raised under the Minimum Subscription of the Offer will be sufficient to fully mitigate the circumstances giving rise to the material uncertainty in respect of going concern.

The Financial Information does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

4. FINANCIAL INFORMATION

4.10 DIVIDEND POLICY

Forbidden Foods has not forecast a dividend payment in FY2020 and plans to invest all surplus cash flow into the business in order to maximize growth. Accordingly, no dividends are expected to be paid during the foreseeable future following the Company's listing on the ASX.

The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any dividends in the future period as all of the foregoing are dependent upon a number of factors including the level of future earnings, the amount of tax paid, the financial position of Forbidden Foods, future operating conditions and future cash requirements to fund growth.

4.11 CHANGES IN ACCOUNTING POLICIES

The AASB has recently issued revised accounting standards in relation to AASB 15 *Revenue from Contracts with Customers* ("AASB 15"), AASB 9 *Financial Instruments* ("AASB 9") and AASB 16 *Leases* ("AASB 16").

The Company's significant accounting policies are included in Appendix A.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 became effective for reporting periods commencing on or after 1 January 2018 and was not adopted early by the Company for statutory reporting purposes. AASB 15 was first adopted by the Company in the FY2019 statutory financial statements.

The adoption of AASB 15 did not impact the Company's reported net assets or profit, however the adoption did result in a reduction to revenue due to a revised classification of rebates and marketing contributions with customers. Under AASB 15 these rebates and marketing contributions are recognised as a reduction in revenue rather than as a marketing and promotion cost.

AASB 9 *Financial Instruments*

AASB 9 became effective for reporting periods commencing on or after 1 January 2018 and was not adopted early by the Company for statutory reporting purposes. AASB 9 was first adopted by the Company in the FY2019 statutory financial statements.

The adoption of AASB 9 has not had a material impact on the Company and did not impact the Company's net assets or profit.

AASB 16 *Leases*

AASB 16 became effective for reporting periods commencing on or after 1 January 2019 and was not adopted early by the Company for statutory reporting purposes. AASB 16 was first adopted by the Company in the 1H2020 statutory financial statements.

The adoption of AASB 16 did not have a material impact on the Company's reported net assets or profit.

The standard replaces AASB 117 *Leases* and eliminates the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset is capitalised in the consolidated balance sheet, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also be recognised. The application of the standard results in an improvement in EBITDA as the operating expense is replaced by interest expense and depreciation in the consolidated income statement. For classification in the consolidated cash flow statement, the lease payments are separated into both a principal (financing activities) and interest (either operating or financing activities) component.

4. FINANCIAL INFORMATION

4.12 IMPACT OF CHANGES IN REVENUE ACCOUNTING POLICIES

Table 4.17 below illustrates the impact on revenue from the change in accounting policies from AASB 118 *Revenue* ("AASB 118") to AASB 15.

Table 4.17 Impact on Revenue from Change in Accounting Policies

	FY2018 (a)	FY2019 (a)	FY2020 (a + f)	1H2019 (a)	1H2020 (a)
	$	$	$	$	$
Revenue per AASB 118	3,374,522	3,763,136	4,457,041	2,068,717	2,298,280
Marketing and promotion costs[1]	(254,270)	(333,792)	(339,335)	(169,279)	(153,928)
Revenue per AASB 15	3,120,252	3,429,344	4,117,706	1,899,438	2,144,352

1 Marketing and promotion costs were recognised within operating costs under AASB 118, but have been treated as variable consideration within the transaction price of customer contracts under AASB 15 and offset directly against revenue. These represent costs such as rebates and marketing contributions with customers.

Forbidden Foods recognised revenue in the Statutory Historical Income Statement for FY2018 in accordance with AASB 118.

For all reporting periods commencing after 1 July 2018, Forbidden Foods recognised revenue in the Statutory Historical and Forecast Income Statements in accordance with AASB 15.

Appendix A includes the accounting policies adopted by Forbidden Foods in relation to revenue.



5.
RISKS

5. RISKS

5.1 INTRODUCTION

This Section 5 describes the potential risks associated with the Company's business and an investment in Shares. It does not list every risk that may be associated with the Company or an investment in Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of the Company, the Directors and the Management team.

The selection and order of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and Management team as at the Prospectus Date. There may be other risks which Directors are unaware of at the time of issuing this Prospectus which may impact on the Company, its operations or the valuation and performance of the Shares. The importance of different risks may change and other risks may emerge in the future.

Before applying for Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in the Company and should consider whether the Shares are a suitable investment, having regard to their own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN THE COMPANY

5.2.1 Reliance on third party raw material and manufacturing suppliers

Forbidden Foods relies on the availability of supply of raw materials, including organic raw materials, to meet the current and expected growth in demand for its products. Forbidden Foods' business model relies on outsourcing key raw materials to third party suppliers, in particular approximately 25% of rice supply is sourced from Dalian HongRen Wholegrain Foodstuff Co Ltd located in Dalian, China. Section 9.5.6 describes Forbidden Foods' contractual arrangements with Dalian HongRen Wholegrain Foodstuff Co Ltd.

In addition to raw materials, Forbidden Foods, through its manufacturers, sources product packaging from China and other countries in Asia, and engages contract manufacturers in Australia to manufacture and pack its products.

Forbidden Foods may experience disruptions to its supply chain, for example as a result of a shortage of suitable organic-certified raw materials, a virus or disease outbreak (such as COVID-19), quality control or certification issues or a production outage. Any such disruption could have a material adverse impact on Forbidden Foods' ability to source suitable raw materials and manufacture its products to meet current and anticipated future consumer demand. This would likely negatively impact the financial performance and future prospects of the business.

There is also a risk that Forbidden Foods may not be able to retain its key existing third party suppliers. Forbidden Foods relationships with its existing suppliers are typically not exclusive, and its suppliers also have relationships with third parties (including Forbidden Foods' competitors). Forbidden Foods' current third party suppliers and service providers may cease their supply to Forbidden Foods – for example, as a result of a dispute – which would restrict Forbidden Foods' ability to source supply from that supplier. If a third party supplier ceased supplying products or services to Forbidden Foods and an alternative supplier was not readily available, this could lead to a material adverse effect on the Company's operations, financial performance and growth prospects.

In addition, the Company's supply arrangements are generally governed by purchase orders and invoices, which means that suppliers may change the price or other terms on which products are supplied, as well as the range of products available, on short notice. If this was to occur in circumstances where alternative supply arrangements were not available, this could lead to a material adverse effect on the Company's operations, financial performance and growth prospects.

5.2.2 Foreign exchange risk

Forbidden Foods sources a significant amount of its raw materials and packaging from China, and pays for it in United States dollars. The Company's manufacturing expenses are typically incurred in Australian dollars and the Company generates revenue in a range of currencies, including Australian dollars, US dollars and New Zealand dollars.

The Company's financial statements are presented in Australian dollars, and therefore the Company must translate its assets, liabilities, revenue and expenses into Australian dollars for external reporting purposes. As a result, significant changes in the value of the Australian dollar during a reporting period (in particular, any material depreciation against the US dollar) may unpredictably and adversely impact the Company's operating results, asset and liability balances and cash flows.

5.2.3 Reliance on sales channels and key customers

Forbidden Foods distributes its products to end consumers through various sales channels, including Australian retailers such as Costco, Woolworths and IGA. The Company depends on continued access to its sales channels and its relationships with its current customers and, similar to many other suppliers in the Food and Beverage Industry, many of the Company's customer arrangements are not contracted (see Section 5.2.4).

There can be no guarantee that the Company's relationships with key customers and channel partners will continue or, if they do continue, that they will purchase the same, similar or greater quantities of Forbidden Foods' products as they have historically.

In addition, Australian retailers are often sophisticated organisations with strong negotiating power that are able to resist price increases or demand increased promotional programs. Retailers may also decrease the number of brands that they carry and increase the emphasis on private label products. In addition, customers such as supermarkets and food distributors, may exit the Australian market for a number of reasons such as consolidation or ceasing business. For example, in January 2020 it was announced that Kaufland, a German supermarket chain, was cancelling its plans to enter into the Australian market.

If Forbidden Foods is unable to effectively negotiate commercial terms with its channel partners, or if they cease carrying Forbidden Foods' products or cease operations, the Company's financial performance and prospects would be materially and adversely affected.

5.2.4 No contracts with key customers

Forbidden Foods' performance and growth is dependent on maintaining its existing customers and securing new customers. In FY2019, a significant proportion of Forbidden Foods' revenue was generated from uncontracted customer relationships, using the Company's or the customer's standard terms and conditions and purchase orders and invoices. These supply arrangements typically have no minimum volume requirements and can be varied or terminated by the customer on short notice (or no notice) and without penalty. Even when customers are contracted, the Company's sales contracts typically do not provide for minimum volumes, although they may give Forbidden Foods exclusive supply rights (see for example the summary of the Zambrero Agreements in Section 9.5.3).

There is a risk that the Company will be unable to maintain its uncontracted customers, or secure new customers, on commercially viable terms. In addition, there is no certainty as to the volume, price and frequency of any future sales from uncontracted customers. Given the nature of the Company's business, it is likely that a significant proportion of Forbidden Foods' sales will continue to be on an uncontracted basis.

If Forbidden Foods is unable to retain its existing customers and grow its customer base, particularly in circumstances where a significant proportion of its revenue is not contracted, Forbidden Foods' revenue and profitability could be materially and adversely affected.

5.2.5 Forbidden Foods operates in a competitive industry

Forbidden Foods' operates in a highly competitive geographic and product market.

There is no assurance that Forbidden Foods will be able to compete effectively with existing and new competitors in the future. Forbidden Foods competes with other larger brands and products for retail shelf space at its sales channels and many of its competitors are multinational corporations and other large food brands, most of whom have significantly more access to capital and resources. Should any of Forbidden Foods' competitors participate more aggressively on price, product, innovation or other means, this could have a material adverse impact on Forbidden Foods' financial performance and prospects.

5.2.6 Impact of pandemics and health crises

COVID-19 has brought significant volatility in global financial markets and has impacted many aspects of life and the economy in Australia and around the world.

While COVID-19 is still spreading and the final implications of the pandemic are unknown, the ongoing pandemic may have a significant adverse effect on Forbidden Foods.

A detailed description of the impact of COVID-19 on the Company's business as at the Prospectus Date is set out in Section 3.9. The Company (as a participant in the Food and Beverage Industry) provides an "essential service" and, as at the Prospectus Date, it has been able to source raw materials and packaging, engage manufacturers and interact with its distributors and customers without material disruption to its business. The Company has however experienced significant volatility in the demand for its products: the Company has experienced increased volumes through its retail channels (as consumers stock up on certain products including rice), however there has been reduced demand from the Company's food service and food manufacturer customers.

5. RISKS

Based on its experiences to-date and the current impacts of the COVID-19 pandemic, the Company currently expects to be able to manage through the crisis without material disruption to its business or operations and without a material adverse effect to its financial performance or position. However the COVID-19 pandemic is a highly fluid environment and there is no certainty that this expectation will eventuate, particularly if the pandemic has a significant and negative impact on consumer demand for the Company's products specifically, or demand more generally. Likewise, if the COVID-19 pandemic spreads, if infection and mortality rates increase or lockdowns and restrictions are increased, the Company's business, operations and financial prospectus may be materially and adversely affected.

5.2.7 Customer concentration risk

In FY2019, approximately 75% of Forbidden Foods' revenue was generated from its top 5 customers. Should the Company's trading relationship with any of its large customers change in an adverse way – for example as a result of competition, reduced demand for the Company's products or a product contamination issue – the Company's financial performance and prospects could be adversely affected.

5.2.8 Product concentration risk

Forbidden Foods' product mix and revenues are currently dependent on rice, seeds, grains and flours. Given the Company's limited product range, factors affecting the supply of, and demand for, these products could have a significant adverse impact on Forbidden Foods' financial performance and future prospects.

5.2.9 Changes in consumer trends and preferences

Forbidden Foods' business is primarily focused on the sale of rice, seeds, grains and flours, which are subject to continually evolving consumer preferences. The Company is subject to changing consumer trends, demands, preferences and attitudes, including a shift in the beliefs, tastes and dietary habits of end consumers. There is a risk that consumer preferences for Forbidden Foods' products will change in an adverse way. Should there be a reduction in demand for Forbidden Foods' products, this could have a material adverse impact on the financial performance and future prospects of the Company.

5.2.10 Retail environment

There is a risk that an economic downturn could occur in Australia or overseas, which could cause the retail environment to deteriorate as consumers reduce their expenditure (generally) or reduce their disposable income expenditure on specific discretionary items. This could result in reduced turnover for Forbidden Foods.

5.2.11 Climate or environment events

As a seller of agricultural products, weather and climactic conditions directly affect the business operations of the Company. The quantity and quality of Forbidden Foods' products may be adversely affected by adverse weather or climactic conditions, including climate change, water supply issues and drought.

Any adverse change to weather or climactic conditions may impact the sustainability of the rice, seeds and grains that the Company sells, which are sourced through third party providers. If a weather or climactic condition disrupts Forbidden Foods' supply chain, this may have a material adverse impact on the Company's operations and financial performance.

5.2.12 Failure to comply with food safety and quality standards

As with most food products, raw materials and final products are susceptible to deterioration, contamination or tampering or may otherwise be unsafe or unfit for sale or consumption. This may result from various factors such as human error, equipment failure, mislabelling, poor storage, environmental contamination or poor regulation and/or enforcement.

Non-compliance with food safety regulations and quality standards, and associated adverse publicity, could damage the Company's brand and reputation, reduce demand for the Company's products and adversely affect its revenue. There is also potential for other adverse consequences, including regulatory penalties, litigation, product recall and disposal costs, loss of inventory and delayed supply.

Any product contamination or failure to comply with food safety regulations could have a material and adverse effect on the Company's financial performance and prospects.

5.2.13 Loss of organic certification

Forbidden Foods relies on independent certifications, such as certifications of some of its products as organic. Quality control issues in respect of raw materials and ingredients may result in the loss of any independent certifications, which could adversely affect the Company's brand and reputation as a certified organic and natural products company and result in a loss of consumer confidence in Forbidden Foods' brands. In turn, this could adversely affect the Company's business and financial performance.

5.2.14 Regulatory risk

Forbidden Foods is required to comply with a range of laws and regulations in Australia and in the foreign jurisdictions in which it sources product inputs (including China and Vietnam) or sells its products (currently including Australia, New Zealand, Singapore, Ireland and the United States). These laws and regulations included food standards and product content requirements, labelling and packaging, environmental, occupational health and safety, quarantine, customs and tariff and tax laws.

Compliance with these laws and regulations, and the ability to comply with any changes to these laws and regulations, is critical to the success of Forbidden Foods' business. Any failure to comply with existing or new laws and regulations may result in a fine or penalty, loss of accreditation or brand damage, any of which could have a material and adverse effect on the Company's operations, performance and reputation.

5.2.15 Brand or reputation damage

Forbidden Foods' business is dependent on its reputation with customers and consumers. Forbidden Foods' brands are of significant value to the business. The reputation and value associated with these brands and related intellectual property could be adversely affected by a number of factors, including:

- quality issues with Forbidden Foods' products;
- failure of delay in supplying products;
- disputes or litigation with third parties, employees, suppliers or customers; or
- adverse media coverage (including social media) or publicity about Forbidden Foods' products or processes.

A material adverse impact to the reputation of Forbidden Foods or its brands could negatively affect public perception of Forbidden Foods, demand for its products, consumer loyalty and employee retention. This could have a material adverse effect on Forbidden Foods' financial and operating performance and future prospects.

5.2.16 Reliance on key personnel

Forbidden Foods' success depends to a significant extent on its key personnel, in particular its Founders Marcus Brown and Jarrod Milani. Marcus and Jarrod both have deep experience in, and knowledge of, the Company's business and the Food and Beverage Industry. The loss of Marcus or Jarrod could have a significant adverse effect on the management of the Company, its financial performance and future prospects.

5.2.17 Increase in production and logistics costs

Forbidden Foods may be adversely impacted by increases in production and logistics costs, including material increases in raw ingredient prices, logistics and distribution costs. The availability and price of raw ingredients used in Forbidden Foods' products are influenced by global demand and supply factors outside of Forbidden Foods' control, and may be impacted by a wide range of factors such as climate or environment events (see Section 5.2.11). Forbidden Foods may not be able to pass on increased costs to its customers.

If there is a significant increase in the cost of raw materials and the other inputs of Forbidden Foods' products, this may have a material adverse effect on Forbidden Foods' operating and financial performance.

5.2.18 Failure to effectively manage inventory

Forbidden Foods may fail to accurately forecast or manage its inventory levels. This may result in the Company incurring additional costs and losing revenue. If Forbidden Foods acquires excess raw materials or produces excess product that it cannot sell in a timely manner, the excess product may need to be sold at a discount, otherwise the excess product will become obsolete and Forbidden Foods may be required to bear the costs of the surplus product and recognise inventory write-down costs.

5.2.19 Intellectual property risk

Forbidden Foods regards its brands, trademarks, domain names, trade secrets, proprietary information and similar intellectual property as important to its success. Forbidden Foods' business is developed with a strong emphasis on developing brand equity in each of its brands.

Any unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Company.

In addition, there may be third party infringements of its trademarks. To enforce its intellectual property rights, the Company may have to commence legal proceedings against third parties who infringe its rights. Such intellectual property litigation is expensive and time consuming and may divert valuable resources from and disrupt the conduct of its business.

5.2.20 Failure to execute growth plans

Forbidden Foods intends to continue to grow its business, including through increased sales of its current products and the introduction of new products. It aims to do this by building trusted and strong brands and products.

There is a risk that the Company is unable to increase sales of its existing product range for a range of reasons including loss of customers, competition, changes in consumer preferences, product safety issues and failure to adequately market its products.

There is also a risk that the Company's new products, for example the Funch range, may be unsuccessful because they are not supported by sufficient market interest and purchases, and therefore fail to sell in the targeted volumes. The Company may also be unable to offer a sufficient number of new, differentiated products.

Unsuccessful new products and ineffective marketing campaigns may adversely impact expected future revenues.

If the Company fails to grow the sales of its existing products and does not introduce successful new products, it will not meet its growth plans and its future financial performance and prospects will be diminished.

5.2.21 Failure to effectively manage growth

Forbidden Foods aims to achieve rapid growth in the scope of its operating activities, which may include operating in new markets. This growth is anticipated to result in an increased level of responsibility for existing and new management personnel. If the Company is unable to manage its expected growth successfully, including through the recruitment, training, integration and management of the staff required to support this expected growth, it may not be able to take advantage of market opportunities, satisfy customer requirements, execute its business plans or respond to competitive threats.

5.2.22 Forbidden Foods may need to raise additional capital

There can be no assurance that the proceeds from the Offer will be sufficient for the Company to achieve profitability. Accordingly, the Company may need to raise future capital through equity or debt financings or from other sources. If the Company is unable to generate sufficient cash flows from its operations or is unable to raise funds from additional sources on commercially acceptable terms, then its business and financial condition may be materially and adversely affected.

In addition, if the Company issues Shares to raise capital, as consideration for acquisitions or to facilitate employee share plans, Shareholders at any time may be diluted as a result of these Share issues.

5.2.23 The Co-Founders will remain significant Shareholders

On Listing, each of Marcus Brown and Jarrod Milani will hold approximately 12.4% of the Shares on issue.

Consequently, Marcus Brown and Jarrod Milani will have a significant influence over all matters that require approval by Shareholders, including the election and removal of Directors and approval of significant corporate transactions (unless prevented from voting under the Corporations Act or ASX Listing Rules). This concentration of ownership may limit other Shareholders' ability to influence corporate matters and, as a result, actions may be taken that some Shareholders may not view as beneficial.

5.2.24 Failure to meet financial forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus, including the Forecast Financial Information, rely on various contingencies and assumptions (see Section 4.7). Various factors, both known and unknown, may impact upon the performance of Forbidden Foods and cause actual performance to vary significantly from expected results. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statement will eventuate.

5.2.25 Release from escrow

The Existing Shareholders will be subject to escrow requirements that are designed to protect the integrity of the market. At the conclusion of the applicable escrow periods, these Shares will be released from escrow, which may impact the Share price of the Company if material numbers of Shares are sold at the same time. Alternatively, the absence of such a sale by Existing Shareholders may diminish the liquidity of the market for Shares.

5.3 GENERAL RISKS

5.3.1 The price of Shares may fluctuate

The Shares may trade on ASX following Listing at a price higher or lower than the Offer Price.

The price at which the Shares trade following Listing will be affected by the financial performance of the Company and by external factors unrelated to the operating performance of the Company, including movements on international share markets, the level of interest rates and exchange rates, general domestic and international economic conditions and government policies relating to taxation and other matters.

5.3.2 Trading in Shares might not be liquid

There can be no guarantee that an active market in the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time, particularly given the level of ownership retained by the Existing Shareholders. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid for their Shares.

5.3.3 Australian Accounting Standards may change

Australian Accounting Standards are set by the AASB and are outside the control of the Company. The AASB regularly introduces new or refined Australian Accounting Standards, which may affect future measurement and recognition of key statements of profit and loss and balance sheet items, including revenue and receivables.

There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statements of profit and loss and balance sheet items, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

5.3.4 Inflation rates

Higher than expected inflation rates could lead to increased development and/or operating costs. If such increased costs cannot be offset by increased revenue, this could impact the Company's future financial performance.

5.3.5 Interest rates

The Company does not currently have any material debt. If the Company borrows money in the future, it will be exposed to increases in interest rates which would increase the cost of servicing the Company's debts.



6.

KEY PEOPLE, INTERESTS AND BENEFITS

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1 BOARD OF DIRECTORS

The Directors of the Company bring to the Board a variety of skills and experience, including industry and business knowledge, financial management, legal expertise, corporate strategy and corporate governance experience. Profiles of each member of the Board are set out below:

Table 6.1: Director profiles

DIRECTOR	PROFILE
	**Mark Hardgrave** *Non-Executive Chairman (appointed Director on 23 January 2020)* Mark is an Independent, Non-Executive Chairman of Forbidden Foods. He is the chair of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee. Mark 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. He currently serves on the board of the following ASX-listed companies: as chairman of Pental Limited and non-executive director of Traffic Technologies Ltd. Mark is also non-executive director of Nimble Finance Limited. With his deep experience in the finance industry, Mark is well placed to chair the Board and guide the Company's business development and growth. Mark has a Bachelor of Commerce from the University of Queensland, is a Chartered Accountant and is a Graduate of the Australian Institute of Company Directors.
	**Marcus Brown** *Chief Executive Officer/Managing Director (Founder)* Marcus is Chief Executive Officer and Managing Director of Forbidden Foods. He is a member of the Remuneration and Nomination Committee. 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, the Company has become a diverse multi-brand food and beverage company focusing on the wellness and organic markets, with various national and international sales channels. Marcus previously worked 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 strategic objectives. Marcus has a Bachelor of Business (International Trade) from Victoria University.

6. KEY PEOPLE, INTERESTS AND BENEFITS

DIRECTOR	PROFILE
	**Jarrod Milani** *Chief Operating Officer/Executive Director (Founder)* Jarrod is Chief Operating Officer and Executive Director of Forbidden Foods and co-founded the Company with Marcus Brown in 2010. He is a member of the Audit, Risk and Compliance Committee. Prior to co-founding Forbidden Foods with Marcus Brown in 2010, Jarrod worked at Coles in various marketing-related roles including trade planning, growth projects and supplier engagement. Jarrod's experience has given him the ability to manage ongoing relationships with suppliers, customers and manufacturers in order to help the Company meet its strategic objectives. He has played a vital role in the development of the Forbidden Foods brand proposition, strategy and product range. Jarrod has a Bachelor of Business (Marketing) from Swinburne University and is a Graduate of the Australian Institute of Company Directors.
	**Colleen Lockwood** *Non-Executive Director (appointed Director on 23 January 2020)* Colleen is an Independent, Non-Executive Director of Forbidden Foods. She is the chair of the Remuneration and Nomination Committee and a member of the Audit, Risk and Compliance Committee. Colleen has extensive experience in the Food and Beverage Industry. She has previously worked as a Business Development Director for Golden State Foods, where she co-ordinated business units in the retail and food service 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 food service 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 the Company's development and growth.

6.1.1 Director's Disclosure

Each Director has confirmed to the Company that he or she anticipates being able to perform his or her duties as a Director without constraint from other commitments.

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12-month period after they ceased to be an officer.

The Board has considered the Company's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board represents an appropriate range of experience, qualifications and skills at this time.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.2 SENIOR MANAGEMENT

The following table provides information regarding the senior management team of Forbidden Foods, including their positions and expertise.

Table 6.2: Senior management profile

MANAGEMENT	PROFILE
	**Marcus Brown** *Managing Director and CEO* See Section 6.1
	**Jarrod Milani** *Executive Director and COO* See Section 6.1
	**Adam Soffer** *Company Secretary (appointed 7 April 2020)* Adam has extensive experience in senior corporate management roles at ASX listed and unlisted groups across a range of sectors including commercial property, funds management, telecommunications and eCommerce. He led business planning, funds management and investor relations through Centro Property Group's successful restructure – widely regarded as the most complex corporate restructure in Australia. Adam was company secretary and head of investor relations for Luxury Escapes, an unlisted public company for over four years and in 2020 will complete a Graduate Diploma of Applied Corporate Governance. Adam has a Bachelor of Commerce (University of Melbourne), Graduate Diploma of Arts (Commercial Radio) (Swinburne University) and a Diploma of Investor Relations (Australasian Investor Relations Association).

As at the Prospectus Date, the Company does not have a Chief Financial Officer. The Company intends that a Chief Financial Officer be appointed as soon as possible after Listing.

Pending the appointment of a Chief Financial Officer, the internal finance function of the Company will be overseen on a day-to-day basis by Jarrod Milani, the COO, under the supervision of the Audit, Risk and Compliance Committee.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
- the Offer,

and no other amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Executive remuneration

6.3.1.1 Overview

The Company's philosophy on remuneration is that executive and key employee remuneration should be aligned with Shareholder interests by providing levels of fixed remuneration and "at risk" pay sufficient to attract and retain individuals with the skills and experience required to build on and execute the Company's business strategy. It aims to achieve this by ensuring "at risk" remuneration is contingent on outcomes that grow and/or protect Shareholder value.

To ensure that the Company continues to attract, retain and motivate talented staff at a competitive cost, the Company will aim to align total fixed remuneration to the median rate of the relevant market, with consideration given to experience, qualifications, performance and other non-financial benefits.

The Remuneration and Nomination Committee recommends to the Board the remuneration packages for the executive team. It is intended that these will be reviewed annually. The Remuneration and Nomination Committee may seek external advice to determine the appropriate level and structure of the remuneration packages.

Summaries of the key terms of the employment contracts of Marcus Brown, Jarrod Milani and Adam Soffer are set out below.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.3.1.2 Summary of key terms of employment of Marcus Brown, Jarrod Milani and Adam Soffer

Table 6.3: Employment terms of Marcus Brown, Jarrod Milani and Adam Soffer

TERM	DESCRIPTION
Employer	Radnor Corp Pty Ltd
Total Fixed Remuneration (TFR)	Marcus Brown is entitled to receive TFR of $175,000 per annum, inclusive of statutory superannuation. Jarrod Milani is entitled to receive TFR of $175,000 per annum, inclusive of statutory superannuation. Adam Soffer is entitled to received TFR $36,000 per annum, excluding statutory superannuation.
Short-term Incentive (STI)	Marcus Brown and Jarrod Milani are each eligible to participate in the Company's STI arrangements whereby they each may, subject to meeting KPI targets and at the Board's discretion, receive a cash bonus of up to 40% of the TFR on an annual basis.
Long-term incentive (LTI)	Marcus Brown and Jarrod Milani are each eligible to participate in the Company's LTI arrangements whereby they each may, subject to meeting KPI targets and at the Board's discretion, receive a cash bonus of up to 50% of the TFR on an annual basis. Payment of the cash bonus, if granted, is not to be awarded until commencement of FY2023.
Termination	In the case of: • Marcus Brown, 12 months' notice of termination by the employee and 12 months' notice of termination by Radnor Corp; • Jarrod Milani, 12 months' notice of termination by the employee and 12 months' notice of termination by Radnor Corp; and • Adam Soffer, 4 weeks' notice of termination by the employee and 4 weeks' notice of termination by Radnor Corp. All payments on termination will be subject to the termination benefits cap under the Corporations Act.
Restraints	12 month non compete and non-solicit restraints in Australia for each employee, subject to applicable law.

6.3.2 Executive incentive arrangements

For the executive team, the remuneration packages will consist of fixed remuneration as described above.

The Board may determine to award Executives Directors and employees in good standing of the Company a percentage of their fixed remuneration as an annual cash bonus. Payment of annual cash bonuses is discretionary and determined by the Board based on individual measures and business performance.

For the executive team, the remuneration packages will consist of:

- fixed remuneration (described above);
- cash-based short term incentives (STI); and
- cash-based long term incentives (LTI).

6.3.2.1 Short-term incentive arrangements

The key components of the cash-based STI are:

- participants are entitled to receive a percentage of their fixed remuneration as an annual cash bonus;
- to be eligible for an annual cash bonus, participants must be employees in good standing of the Company at the date on which the bonus is payable; and
- payment of annual cash bonuses is discretionary and determined by the Board based on individual measures and business performance.

6.3.2.2 Long-term incentive arrangements

The key components of the cash-based LTI are:

- participants are entitled to receive a percentage of their fixed remuneration as an annual cash bonus;
- to be eligible for an annual cash bonus, participants must be employees in good standing of the Company at the date on which the bonus is payable;
- payment of the annual cash bonuses is discretionary and determined by the Board based on individual measures and business performance; and
- the annual cash bonuses payable for FY2020 – FY2022 (if granted at the Board's discretion), will accrue and become payable on 1 July 2023.

The Company has established an equity incentive plan (**Plan**) to assist in the reward, retention and motivation of participants and align their interests with those of Shareholders.

No grants have been made, or agreed to be made, under the Plan. Any future grants to Directors will require Shareholder approval.

The rules of the Plan (**Plan Rules**) provide the framework under which the Plan and individual grants will operate. The key features of the Plan are outlined below.

Table 6.4: Summary of Plan Rules

TERM	DESCRIPTION
Eligibility	Offers may be made at the Board's discretion to employees of the Company (including the Executive Directors) and any other person that the Board determines to be eligible to receive a grant under the Plan.
Types of securities	The Plan Rules provide flexibility for the Company to grant one or more of the following securities as incentives, subject to the terms of individual offers: • performance rights, which are an entitlement to receive Shares upon satisfaction of applicable conditions; • options, which are an entitlement to receive Shares upon satisfaction of applicable conditions and payment of the applicable exercise price; and • restricted shares, which are Shares that are subject to dealing restrictions, vesting conditions or other restrictions or conditions.
Offers under the Plan	The Board may make offers at its discretion and any offer documents must contain the information required by the Plan Rules. The Board has the discretion to set the terms and conditions on which it will offer performance rights, options and restricted shares in individual offer documents. Offers must be accepted by the employee and can be made on an opt-in or opt-out basis.
Plan limit	Where an offer is made in reliance of ASIC Class Order 14/1000, the total number of Shares issued (or in the case of performance rights and options, the total number of Shares which would be issued if those performance rights or options were exercised) must not exceed 5% of the total number of Shares on issue.
Issue price	Unless the Board determines otherwise, no payment is required for a grant of a performance right, option or restricted share under the Plan.

TERM	DESCRIPTION
Vesting	Vesting of performance rights, options and restricted shares under the Plan is subject to any vesting or performance conditions determined by the Board and specified in the offer document. Options must be exercised by the employee and the employee is required to pay the exercise price before Shares are allocated. Subject to the Plan Rules and the terms of the specific offer document, any performance rights, options or restricted shares will either lapse or be forfeited if the relevant vesting and performance conditions are not satisfied.
Cessation of employment	Under the Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment. It is intended that individual offer documents will provide more specific information on how the entitlements will be treated if the participating employee ceases employment.
Clawback and preventing inappropriate benefits	The Plan Rules provide the Board with broad "clawback" powers if, for example, the participant has acted fraudulently or dishonestly or there is a material financial misstatement.
Change of control	The Board may determine that all or a specified number of a participant's performance rights, options or restricted shares will vest or cease to be subject to restrictions on a change of control event in accordance with the Plan Rules.
Reconstructions, corporate action, rights issues, bonus issues etc.	The Plan Rules include specific provisions dealing with rights issues, bonus issues and corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their incentives as a result of such corporate actions.
Restrictions on dealing	Prior to vesting, the Plan Rules provide that participants must not sell, transfer, encumber, hedge or otherwise deal with their incentives. After vesting, participants will be free to deal with their incentives, subject to the Securities Dealing Policy.
Other terms	The Plan contains customary and usual terms of dealing with administration, variation, suspension and termination of the Plan.

6.3.3 Non-Executive Director remuneration and benefits

6.3.3.1 Remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for their services as a Director. However, under the Constitution and the ASX Listing Rules, the total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the aggregate amount approved by Shareholders at the Company's general meeting. The amount has been fixed at $250,000 per annum.

The annual Non-Executive Director fees currently agreed to be paid by the Company from Listing to:

- the Chairman is $90,000 (inclusive of superannuation); and
- Colleen Lockwood is $30,000 (inclusive of superannuation).

Directors will not receive additional fees for being a member of a Board Committee.

The remuneration of Directors must not include a commission on, or a percentage of, profits or operating revenue.

Forbidden Foods has granted Director Options to the Non-Executive Directors in consideration for agreeing to act as Non-Executive Directors of the Company (see Section 6.3.4 below). The Director Options have not been granted under the Plan.

6.3.3.2 Deeds of indemnity, access and insurance for Directors

Forbidden Foods has entered into a deed of indemnity, access and insurance with each Director which confirms the Director's right of access to books and records of the Company and its related bodies corporate while they are a Director and for a period of seven years after the Director ceases to hold office. The deeds of indemnity, access and insurance also require Forbidden

Foods to indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all liabilities (including all reasonable legal costs) incurred by the Director as an officer of Forbidden Foods or of a related body corporate.

Pursuant to the Constitution, the Company may to the extent permitted by law, purchase and maintain insurance or pay or agree to pay a premium for insurance for each Director against any liability incurred by a Director as an officer of Forbidden Foods or a related body corporate. Under the deeds of indemnity, access and insurance, Forbidden Foods must maintain a directors and officers insurance policy insuring a Director against liability as a Director and officer of Forbidden Foods and its subsidiaries until seven years after a Director ceases to hold office as a Director of Forbidden Foods or a related body corporate or the date any relevant proceedings commenced (and notified by the Director to Forbidden Foods) during the seven-year period have been finally resolved.

6.3.3.3 Expense reimbursement and other remuneration arrangements

The Directors are entitled to be paid all travelling and other expenses they incur in attending to Forbidden Foods' affairs, including attending and returning from general meetings of the Company or meetings of the Board or of Board Committees. Such amounts will not form part of the aggregate remuneration for Non-Executive Directors.

Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. Any amount paid will not form part of the aggregate remuneration for Non-Executive Directors.

There is no retirement benefit scheme for Non-Executive Directors, other than statutory superannuation contributions.

6.3.3.4 Directors' interests in contracts and business dealings with the Company

Each Executive Director is a party to an executive employment agreement with the Company.

6.3.4 Directors' interests in Shares and other securities

6.3.4.1 Directors

Directors are not required under the Constitution to hold any Shares. The Directors (and their associates) are entitled to apply for Shares under the Offer. Details of the interests of Directors (either directly or through beneficial interests or entities associated with the Director), and their holdings of Company securities at relevant times are set out in the table below.

The table does not take into account any Shares the Directors may acquire under the Offer. Final Director Shareholdings will be notified to ASX following Listing.

Table 6.5: Director security interests

	Convertible Notes held on Prospectus Date	Shares held on Prospectus Date		Shareholding on Completion of the Offer		Director Options held at Completion of the Offer
DIRECTOR AND ROLE		**NUMBER**	**%**	**NUMBER**	**%**	**NUMBER**
Mark Hardgrave	50,000*	–	–	382,192	0.5%	1,000,000
Marcus Brown	–	9,334,811	35.3%	9,334,811	12.4%	–
Jarrod Milani	–	9,334,811	35.3%	9,334,811	12.4%	–
Colleen Lockwood	10,000*	–	–	76,439	0.1%	500,000
Total	60,000*	18,669,622	70.6%	19,128,253	25.4%	1,500,000

* Each Convertible Note has a face value of $1 and will be converted to Shares prior to Listing.

6.3.4.2 Non-Executive Director Option Grants

Director Options have also been granted to the Non-Executive Directors, as follows:

- 1,000,000 Director Options have been granted to Mark Hardgrave (or nominee); and
- 500,000 Director Options have been granted to Colleen Lockwood (or nominee).

6. KEY PEOPLE, INTERESTS AND BENEFITS

Director Options have been granted on the following terms.

Table 6.6: Director Options terms

TERM	DESCRIPTION
Participants	• Colleen Lockwood (or nominee) has been granted 500,000 Director Options; and • Mark Hardgrave (or nominee) has been granted 1,000,000 Director Options.
Grant date	Director Options were granted under invitation letters issued in March 2020.
Grant of Director Options	Each Director Option represents an entitlement to receive one Share upon satisfaction of applicable conditions and payment of the applicable exercise price. The exercise price per Director Option is $0.30.
Conditions and vesting	The Director Options will vest and become exercisable on Listing.
Expiry	The Director Options will expire 3 years after Listing.
Rights associated with Director Options	The Director Options do not attract dividends, voting rights or any capital distributions until exercised.

The Company made the grant of Director Options to maintain cash reserves for its operations whilst providing cost effective consideration to the Non-Executive Directors for agreeing to join the Board and rewarding their commitment and contribution to the Company.

The Company considered the grant of Director Options reasonable given the experience and reputation of the Non-Executive Directors, the relationship between the Director Option exercise price and the Offer Price, the implied value of the Director Options and current market practices.

The grant of Director Options was approved by Shareholders by way of circular resolutions dated 23 January 2020.

6.3.5 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer.

Table 6.7: Adviser interests in the Offer

ADVISER	ROLE	FEE (EXCLUSIVE OF TAXES AND DISBURSEMENTS)[1,2]
BW Equities	Lead Manager to the Offer.	See Section 9.5.1
Cadmon Advisory Pty Ltd	Corporate Adviser in relation to the Offer.	See Section 9.5.2
Clarendon Lawyers Pty Ltd	Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters).	$200,000
PKF Melbourne Corporate Pty Ltd	Investigating Accountant to the Company in relation to the Offer and has prepared the Independent Limited Assurance Report in Section 8.	$65,000
PKF Melbourne Audit & Assurance Pty Ltd	Auditor.	Not applicable

1. Cash fees and other expenses of the Offer will be paid by the Company (or one of its subsidiaries) out of funds raised under the Offer. Further information on the use of proceeds from the Offer and costs of the Offer are set out in Sections 7.1.3 and 9.12. Shares and Options will be issued on Completion of the Offer.
2. The Company has paid, or agreed to pay the amounts set out above to its advisers up until the Prospectus Date. Further amounts may be paid for other work in accordance with the normal time-based charges of its advisers.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.4 CORPORATE GOVERNANCE

This Section 6.4 explains the main corporate governance policies and practices adopted by the Company. The Board is responsible for the overall corporate governance of Forbidden Foods. It is accountable to the Company's members as a whole and must act in the best interests of the Company. The Board monitors the financial position and performance of Forbidden Foods and oversees its corporate strategy, including approving the strategic objectives and budgets of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Forbidden Foods.

In conducting business with these objectives, the Board seeks to ensure that Forbidden Foods is properly managed to protect and enhance Shareholder interests, and that Forbidden Foods, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Forbidden Foods, including adopting prudent and effective internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Forbidden Foods' business and which are designed to promote the responsible management and conduct of Forbidden Foods.

The main policies and practices adopted by Forbidden Foods, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. Details of Forbidden Foods' key policies and the charters for the Board and each of its committees are available at www.forbiddenfoodsgroup.com/ipo.

6.4.1 ASX Corporate Governance Council's Principles and Recommendations

Forbidden Foods is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations (4th Edition) (**ASX Recommendations**) for entities listed on the ASX in order to promote good governance outcomes, confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, Forbidden Foods will be required to provide a statement in its annual report on its website disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Forbidden Foods does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Forbidden Foods intends to follow all of the ASX Recommendations (4th Edition) from Listing, with the following exceptions:

- ASX Recommendation 1.5, which provides that a listed entity should, through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally. Forbidden Foods has not set measurable diversity objectives. Forbidden Foods has only become a public company recently and has a relatively small workforce. Accordingly, the Board intends to set measurable objectives over the course of 2020. The size of the Company and the scale of its operations will be taken in to account.
- ASX Recommendation 1.6, which provides that a listed entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors. Forbidden Foods does not have a process for Board performance evaluation. Forbidden Foods has only recently become a public company and finalised the composition of its Board. Accordingly, its Board intends to establish a process for Board performance evaluation over the course of 2020.
- ASX Recommendation 1.7, which provides that a listed entity should have and disclose a process for evaluating the performance of its senior executives at least once every reporting period. Forbidden Foods does not yet have a process for senior executive performance evaluation. The Board intends to establish a process for senior executive performance evaluation over the course of 2020.
- ASX Recommendation 2.2, which provides that a listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership. Forbidden Foods does not have a Board skills matrix. Forbidden Foods has only recently become a public company and finalised the composition of the Board. Accordingly, the Board intends to adopt a Board skills matrix over the course of 2020.
- ASX Recommendation 2.4, which provides that a majority of the board of a listed entity should be independent directors. On Listing, two of the Directors will be independent (Mark Hardgrave and Colleen Lockwood) and the remaining two Directors will not be independent (Marcus Brown and Jarrod Milani). Accordingly, the Board will consist of an equal number of independent and non-independent Directors and ASX Recommendation 2.4 will not be followed. The Board considers that each Director will add significant value given their considerable skills and experience and will bring objective and independent judgement to the Board.

- ASX Recommendation 4.1, which provides that a listed entity should have an audit committee comprising at least three members, all of whom should be non-executive directors and a majority of whom should be independent directors, and be chaired by an independent director who is not chair of the board. The Company's Audit, Risk and Compliance Committee comprises three members, of whom a majority are independent, however not all of the members are Non-Executive Directors and the chair (Mark Hardgrave) is also Chairman of the Board. Given the composition of the Board, there are not three Non-Executive Directors and accordingly this requirement cannot presently be met. Further, the Board considers that Mark Hardgrave is the most appropriate chair of the Audit, Risk and Compliance Committee given his qualifications and extensive professional background (notwithstanding that he is also Chairman of the Board). The Board considers that the members of the Audit, Risk and Compliance Committee bring the desired mix of skills and qualifications required to effectively assist the Board in matters relating to the Company's audit, risk and compliance functions.
- ASX Recommendation 4.3, which provides that a listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor. Forbidden Foods has not disclosed its process for verifying the integrity of periodic corporate reports that are not audited or reviewed by an external auditor. To date, Forbidden Foods has not had to issue periodic reports under the ASX Listing Rules and has had its FY2018, FY2019 and 1H2020 accounts audited or reviewed by PKF Audit. Accordingly, the Board intends to finalise the process for verifying the integrity of periodic corporate reports that are not audited or reviewed by an external auditor over the course of 2020.

6.4.2 Board of Directors

The Board is currently made up of four Directors, comprising:

- an independent, Non-Executive Chairman (Mark Hardgrave);
- a CEO and co-Managing Director (Marcus Brown);
- a COO and Executive Director (Jarrod Milani); and
- an independent Non-Executive Director (Colleen Lockwood).

Detailed biographies of the Board are provided in Section 6.1.

The Board considers a Director to be independent where he or she is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. The Nomination and Remuneration Committee will assess the independence of each Non-Executive Director in light of interests disclosed by them at least annually on a case-by-case basis. Each Non-Executive Director must provide the Board with all relevant information for this purpose.

Forbidden Foods' Board Charter sets out guidelines and thresholds of materiality to assist in considering the independence of Directors, and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers that each of Mark Hardgrave and Colleen Lockwood are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment and are able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Marcus Brown and Jarrod Milani are not currently considered by the Board to be independent Directors given their executive positions and ownership interest in the Company.

If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely manner.

6.4.3 Board Charter

The Board has adopted a Board Charter and Relationship with Management to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged. The Board Charter includes an overview of:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management;
- the authority delegated by the Board to management and Board Committees; and
- the Board's process.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- protect and optimise the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The Board, together with the Remuneration and Nomination Committee, determines the size and composition of the Board.

The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate. The Board collectively, and each Director individually, has the right to seek independent professional advice at the Company's expense, subject to the approval of the Chair of the Board.

6.4.4 Board Committees

The Board may from time to time establish committees to streamline the discharge of its responsibilities. The permanent standing committees of the Board are the Audit, Risk and Compliance Committee, the Remuneration and Nomination Committee and the Disclosure Committee. The Board may also delegate specific functions to ad hoc committees on an "as needs" basis. Directors are entitled to attend Board Committee meetings and receive Board Committee papers, and the Chair of each Board Committee will report back on committee meetings at Board meetings.

6.4.4.1 Audit, Risk and Compliance Committee

Under its Charter, the Audit, Risk and Compliance Committee should have at least three members, all of whom must be Non-Executive Directors, a majority of independent Directors and an independent Chair who is not Chair of the Board.

Membership of the Audit, Risk and Compliance Committee is as follows:

- Mark Hardgrave (Chair);
- Colleen Lockwood; and
- Jarrod Milani.

The Committee's key responsibilities and functions are to:

- oversee the preparation of financial statements and reports;
- maintain and continually improve the quality, accuracy and integrity of the Company's external financial reporting and financial statements;
- oversee internal and external audit functions;
- oversee the appointment, remuneration, independence and effective performance of the Company's external auditors;
- oversee the Company's relationship with its external auditors;
- ensure that the Company applies and maintains appropriate accounting and business policies and procedures;
- oversee the effectiveness of the Company's legal and regulatory compliance framework;
- oversee the effectiveness of the Company's risk management framework and internal controls; and
- manage the process of identification and management of risk.

Non-Committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee Chair. The Committee has rights of access to management and to auditors without management present, and rights to seek explanations and additional information from management and auditors. The Company does not have an internal audit function.

6.4.4.2 Remuneration and Nomination Committee

Under its Charter, the Remuneration and Nomination Committee should have at least three members, all of whom must be Non-Executive Directors, a majority of independent Directors and an independent Director as Chair.

Membership of the Remuneration and Nomination Committee is as follows:

- Colleen Lockwood (Chair);
- Mark Hardgrave; and
- Marcus Brown.

The role of the Committee is to assist and advise the Board on:

- Board succession planning generally;
- succession planning for the CEO and other direct reports to the CEO;
- continuing professional development programs for Directors;
- the development and implementation of a process for evaluating the performance of the Board, its Committees and Directors;
- the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment; and
- the appointment and re-election of Directors,

with the objective of having a Board of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of the Company as a whole.

The Committee also assists and advises the Board on remuneration policies and practices for the Board, the CEO, senior executives and other persons whose activities, individually or collectively, materially affect the operations of the Company. The Committee also provides recommendations regarding remuneration-related reporting in the Company's financial statements and remuneration reports.

Non-Committee members, including members of management, may attend meetings of the Committee at the invitation of the Committee Chair.

6.5 CORPORATE GOVERNANCE POLICIES

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be made available on Forbidden Foods' website at www.forbiddenfoodsgroup.com/ipo.

6.5.1 Continuous Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company is aware of its obligation to keep the market fully informed of any information the Company becomes aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company has adopted a Continuous Disclosure Policy and a Communications Policy and established a Disclosure Committee (comprising the Chair, the CEO and the Company Secretary or their delegates) to ensure compliance with these requirements.

6.5.2 Communication with Shareholders

The Company aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company website, at the annual general meeting, through the Company's Annual Report and ASX announcements.

6.5.3 Securities Dealing Policy

The Company has adopted a Securities Dealing Policy which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and explain the Company's policy and procedure for the buying and selling of securities that protects the Company, Directors and employees against the misuse of unpublished information which could materially affect the price or value of securities. The policy applies to Directors, officers, senior management and other employees, consultants and contractors of the Forbidden Foods Group (collectively, **Employees**).

The policy provides that Employees must not:

- deal in the Company's securities when they are aware of confidential information that is materially price sensitive or "inside" information;
- deal in the Company's securities when the Company has notified Employees that they must not do so;
- deal in the Company's securities on a speculative or short-term trading basis;
- hedge unvested Company securities acquired under an employee, executive or Director equity plan or Company securities that are subject to a holding lock or restriction on dealing under the terms of any employee, executive or Director equity plan operated by the Company; and
- deal in securities in another company where they are aware of "inside" information in relation to that company.

In addition, Directors, key management personnel and other persons who have been advised by the Company Secretary that they are subject to special restrictions (collectively, **Restricted Persons**) and their connected persons must not deal in the Company's securities during any of the following blackout periods (except in exceptional circumstances with approval):

- the period from the close of trading on the ASX on 30 June each year until the day following the announcement of the full-year results;
- the period from the close of trading on the ASX on 31 December each year until the day following the announcement to ASX of the Company's half-year results;
- while the Company is required to lodge an Appendix 4C (Quarterly Report) with ASX:
  - the period from the close of trading on the ASX on 31 March each year until the day following the lodgement with ASX of the Appendix 4C for that period; and
  - the period from the close of trading on the ASX on 30 September each year until the day following the lodgement with ASX of the Appendix 4C for that period;
- the period from 28 days before until the day following a prospectus, cleansing notice or similar disclosure document is lodged by the Company with ASX;
- the period from 28 days before until the day following the Company's annual general meeting; and
- any other period that the Board specifies from time to time.

Incomplete buy or sell orders which are placed but not completed outside of a blackout period must be completed within 3 trading days and cannot be varied during the blackout period.

Otherwise, trading by Restricted Persons and their connected persons is permitted but must be approved by the Company prior to trading. Restricted Persons and their connected persons must also not engage in margin lending activities in respect of the Company's securities or deal in financial products issued over Company securities by third parties, unless the Company securities form a component of a listed portfolio or index product.

In all instances, dealing in the Company's securities is not permitted at any time by any person who possesses "inside" information.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.5.4 Code of Conduct

The Company is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. The Code of Conduct also contains the Company's core values, which are honesty integrity, fairness, inclusion, creativity and the highest standards of ethical, responsible and law-abiding behaviour. All employees of the Company (including temporary employees, contractors, Company Directors, officers, consultants and other persons that act on behalf of the Company) must comply with the Code of Conduct.

The objective of the Code of Conduct is to:

- provide a benchmark for professional behaviour throughout the Company;
- articulate the Company's core values;
- support the Company's business reputation and corporate image within the community;
- make Directors and employees aware of the consequences if they breach the policy; and
- the Code of Conduct also includes provisions for whistleblower protections for the reporting of fraudulent, unethical or irresponsible behaviour, and prohibitions on fraud, bribery and corruption.

6.5.5 Diversity Policy

The Board has formally adopted a Diversity Policy, which sets out Forbidden Foods' vision for diversity, incorporating a number of different factors including gender, ethnicity, age and educational experience. The Diversity Policy has been approved in order to actively facilitate a more diverse and representative management and leadership structure.

The Board will include in its annual report each year a summary of the Company's progress towards achieving the measurable objectives set under the Diversity Policy and the Company's most recent "Gender Equality Indicators" as defined by the *Workplace Gender Equality Act 2012* (Cth) or, where the Company is not required to comply with that Act, the proportion of female employees, senior executives and Board members.

The Board acknowledges that the Company at its current stage of development does not presently demonstrate best practice in terms of diversity of the Board and Management team. This is a focus area for improvement over the next 12 months and beyond.

7.

DETAILS OF THE OFFER



7. DETAILS OF THE OFFER

7.1 THE OFFER

The Offer under this Prospectus relates to the initial public offer of 30,000,000 Shares by Forbidden Foods at the Offer Price to raise $6.0 million (before costs and expenses). The Minimum Subscription for the Offer to proceed is $6.0 million. The Shares offered under this Prospectus will represent 40% of the Shares on issue on Completion of the Offer. The "free float" (for the purposes of ASX Listing Rule 1.1) will be 55.8% of the Shares on issue at Listing.

The Shares will be fully paid ordinary shares and will, once issued, rank equally with the Shares on issue as at the Prospectus Date. A summary of the rights attaching to the Shares is set out in Section 9.6.

The Offer is not underwritten.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Minimum Subscription

The Minimum Subscription for the Offer is 30,000,000 Shares to raise $6.0 million. If the Minimum Subscription is not achieved within three (3) months after the date of this Prospectus, the Company will not allot any Shares and all Application Monies will be returned without interest.

7.1.2 Structure of the Offer

The Offer is a general public Offer of Shares which is open to:

- Australia resident retail investors; and
- Institutional Investors in Australia and in certain other eligible jurisdictions.

7.1.3 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide Forbidden Foods access to capital markets, which it expects will provide additional financial flexibility to pursue further growth opportunities;
- achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares;
- assist Forbidden Foods in attracting and retaining high quality staff; and
- increase brand awareness that may arise from being a listed entity.

The uses of the funds raised under the Offer are set out in the table below.

Table 7.1: Uses of Offer Proceeds

USE OF FUNDS	MINIMUM SUBSCRIPTION	
	Amount	% of Proceeds
Sales, marketing and brand development costs	$3,000,000	50.0%
Administration costs	$994,000	16.6%
Working capital	$948,061	15.8%
Expenses of the Offer	$1,057,939	17.6%
Total uses	$6.0 million	100.0%

The Board reserves the right to vary these uses of funds, acting in the best interests of Shareholders and as circumstances require.

7. DETAILS OF THE OFFER

7.1.4 Shareholding structure

The details of the ownership of Shares as at the Prospectus Date and on Completion of the Offer are set out in the table below.

Table 7.2: Details of the Ownership of Shares

	SHARES HELD AT THE PROSPECTUS DATE		SHARES HELD ON COMPLETION OF THE OFFER	
	No. of Shares	%	No. of Shares	%
Existing Shareholders (excluding Founders and Non-Executive Directors)	7,779,008	29.4%	7,779,008	10.4%
Founders[1]	18,669,622	70.6%	18,669,622	24.9%
Non-Executive Directors[2]	–	–	458,631	0.6%
Convertible Noteholders (excluding Non-Executive Directors)	–	–	14,786,660	19.7%
New Shareholders[3]	–	–	30,001,000	40.0%
Lead Manager	–	–	1,653,039	2.2%
Corporate Adviser	–	–	1,653,039	2.2%
Total	26,448,630	100.0%	75,000,999	100%

1. The Founders are Marcus Brown and Jarrod Milani.
2. The Non-Executive Directors are Mark Hardgrave and Colleen Lockwood.
3. Includes the 1,000 Shares to be issued under the Cleansing Offer.

Details of the Shares that will be subject to escrow arrangements are set out in Section 9.7.

7.1.5 Options

The details of the ownership of Director Options on Completion of the Offer are set out in the table at Section 6.3.4.1.

7.1.6 Control of the Company

The Directors do not expect that any single Shareholder will control the Company on Completion of the Offer.

7.1.7 Potential effect of the Offer on the future of Forbidden Foods

The Directors believe that following Completion of the Offer, the Company will have sufficient working capital to fulfil the purposes of the Offer and carry out its stated business objectives.

7.1.8 The Cleansing Offer

Under the Cleansing Offer, the Company will offer 1,000 Shares at the Offer Price to raise $200.

The Cleansing Offer is being undertaken for the purposes of Section 708(11) of the Corporations Act to remove any restrictions on the sale of Shares issued by the Company on conversion of the Convertible Notes (at a time when the Offer has closed). The Cleansing Offer will remain open after the close of the Offer.

7. DETAILS OF THE OFFER

7.2 TERMS AND CONDITIONS OF THE OFFER

Table 7.3: Terms and Conditions of the Offer

TOPIC	SUMMARY
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.6.
What is the consideration payable for each Share being offered?	The Offer Price is $0.20 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out in the key dates on page 4 of this Prospectus. No Shares will be issued on the basis of this Prospectus later than the Expiry Date. The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time. The Company, in consultation with the Lead Manager reserves the right to amend any or all of the dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to withdraw the Offer, without prior notice.
What are the cash proceeds to be raised under the Offer?	$6.0 million will be raised from New Shareholders under the Offer.
What is the minimum Application size under the Offer?	The minimum Application size under the Offer is $2,000 (equivalent to 10,000 Shares in aggregate). There is no maximum Application size under the Offer, however the Company and the Lead Manager reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for.
What is the allocation policy?	The Offer is open to the Australian resident retail investors and Institutional Investors who are resident in Australia and in certain overseas jurisdictions. The allocation of Shares will be determined by agreement between the Lead Manager and the Company. In the event that there are Applications for more than the 30,000,000 Shares, Applications will be scaled back. The Company and the Lead Manager have absolute discretion regarding the allocation of Shares to Applicants and may reject any Application, or allocate fewer Shares than applied for.
When will Applicants receive confirmation whether Applications are successful?	It is expected that holding statements will be despatched by standard post on or about Wednesday, 26 August 2020.

7. DETAILS OF THE OFFER

TOPIC	SUMMARY
Will the Shares be listed?	Forbidden Foods applied to ASX for admission to the Official List and quotation of the Shares on 17 July 2020, under the code "FFF". Completion of the Offer is conditional on ASX approving the application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval and permission is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all monies received from Applicants will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of Forbidden Foods or the Shares offered for subscription.
Is the Offer subject to any other conditions?	The Offer has a Minimum Subscription of 30,000,000 Shares to raise gross proceeds of $6.0 million. If the Minimum Subscription is not achieved within three (3) months after the date of this Prospectus, the Offer will not proceed and the Application Monies will be returned (without interest).
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about Monday, 31 August 2020. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive a holding statement do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Share Registry or otherwise.
Is the Offer underwritten?	No, the Offer is not underwritten.
Are there any escrow arrangements?	Yes. Details are provided in Section 9.7.
Has any ASIC relief or ASX waiver or confirmation been obtained?	No.
Are there any tax considerations?	Yes. Refer to Section 9.10.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer. Please see Section 9.10.
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded (without interest).
Where to direct any enquiries?	All enquiries in relation to this Prospectus should be directed to the Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5415 (outside Australia) from 9:00am to 5:00pm (Melbourne time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Forbidden Foods is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

7. DETAILS OF THE OFFER

7.3 OFFER

7.3.1 Who can apply?

The Offer is open to Australian residential retail investors and Institutional Investors in Australia and certain other jurisdictions.

7.3.2 How to apply?

Applications for Shares must be made using the Application Form accompanying this Prospectus or any replacement or supplementary prospectus. The Application Form must be completed in accordance with the instructions set out on the form.

Applicants must complete and return their Application Form together with the Application Monies in full prior to the Closing Date.

A completed and lodged Application Form together with payment for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an Application as valid and how to construe amend or complete the Application Form is final.

The Company and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. The Company may determine a person to be eligible to participate in the Offer, and may amend or waive the Offer application procedures or requirements, in its discretion and in compliance with applicable laws.

7.3.3 How to pay?

Applicants must complete the Application Form and send it, together with an accompanying cheque for the Application Monies, to the Share Registry in accordance with the instructions on the back of the Application Form.

For online Applications, Applicants can apply online with payment made electronically via BPAY®. Investors applying online will be directed to use an online Application Form at https://investor.automic.com.au/#/ipo/forbiddenfoods and make payment by BPAY®. Applicants will be given a BPAY® biller code and a customer reference number (CRN) unique to the online Application once the online Application Form has been completed.

BPAY® payments must be made from an Australian dollar account of an Australian institution.

You should be aware that your financial institution may implement earlier cut off times with regard to electronic payment and you should take this into consideration when making payment. None of the Company, the Lead Manager or the Share Registry takes any responsibility for any failure to receive Applications Monies or payment before the Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more information, Applicants should refer to the Offer Website www.forbiddenfoodsgroup.com/IPO or contact the Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5415 (outside Australia) from 9:00am to 5:00pm (Melbourne time), Monday to Friday (excluding public holidays).

7.3.4 Offer allocation policy

The allocation of Shares between Applicants will be determined by the Company in agreement with the Lead Manager. The Company, in agreement with the Lead Manager, reserves the right to reject, aggregate or scale back Applications at its absolute discretion.

7.3.5 How do I confirm my allocation?

In order to confirm your allocation under the Offer, Applicants should contact the Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5415 (outside Australia) from 9:00 am to 5:00 pm (Melbourne time), Monday to Friday (excluding public holidays). Institutional Investors should contact the Lead Manager.

The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Share Registry or otherwise.

7.3.6 Is there a minimum or maximum Application size?

Applications under the Offer must be for a minimum of $2,000 of Shares and in multiples of $500 thereafter. There is no maximum Application Size.

7. DETAILS OF THE OFFER

7.4 OFFER PERIOD, APPLICATIONS AND REFUNDS

7.4.1 Offer Period

The Offer opens at 9:00am (Melbourne time) on Wednesday, 22 July 2020 and is expected to close at 5:00pm (Melbourne time) on Friday, 14 August 2020. The Company may elect to close the Offer early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. Applicants are therefore encouraged to submit their Application Forms as early as possible.

7.4.2 Applications and refunds

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies paid by the Offer Price. Where the Offer Price does not divide exactly into the Application Monies paid, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

If the amount of the Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower amount of Shares that your cleared Application Monies will pay for (and to have specified that amount on your Application Form), or your Application may be rejected.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque or BPAY® payment.

Acceptance of an Application will give rise to a binding contract on the terms and conditions set out in this Prospectus and the Application Form. To the extent permitted by applicable law, an Application is irrevocable.

The Company and the Lead Manager reserve the right to reject any Application, including an Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Offer, or to waive or correct any errors made by the Applicant in completing their Application.

7.4.3 The Cleansing Offer

The Cleansing Offer opens on the Opening Date and closes on the Cleansing Offer Closing Date.

Applications for Shares under the Cleansing Offer should only be made if you are invited to do so by the Company.

7.5 ACKNOWLEDGEMENTS

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant, if a natural person, is over 18 years of age and have full legal capacity and power to perform all its rights and obligations under the Application Form;
- acknowledged that, once the Company, the Lead Manager, or the Share Registry receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form, or such lesser amount as represented by the Application Monies paid;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;

- authorised the Company, the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant necessary for Shares to be allocated to the Applicant, including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that the Company has no current intention to pay dividends, and that if any dividends are paid in the future (about which there is no guarantee) they may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant, given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant;
- acknowledges that the Shares have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia and accordingly, the Securities may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws;
- declared that the Applicant is a resident of Australia (except as applicable to the Institutional Investors), or otherwise satisfies the requirements in Section 9.11; and
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus.

7.6 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue and allotment of Shares to successful Applicants under the Offer. If the Offer does not proceed, all Application Monies received from Applicants will be refunded (without interest). The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than those applied for.

7.7 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 7.7 contains a general description of these laws.

7.7.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

7.7.2 Foreign Acquisitions and Takeovers Act

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

On 29 March 2020, significant changes to Australia's foreign investment approval regime were announced to address risks arising from the COVID-19 pandemic. The changes substantially expand the scope of transactions requiring approval and significantly lengthen the review periods for applications. The changes have been implemented via amendments to regulations that were released on 17 April 2020 (but which take effect from 29 March 2020) and through administrative means.

The key changes are that:

- Effective from 29 March 2020, all monetary screening thresholds under the FATA have been reduced to $0. This applies to all foreign persons subject to the FATA.
- FIRB review periods for new and existing applications under the FATA have been extended to up to 6 months.

7.8 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold, pledged or transferred in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable laws.

This Prospectus may only be distributed in Australia and, outside Australia, to persons to whom the Offer may be lawfully made in accordance with the laws of the applicable jurisdiction, provided that this Prospectus may not be distributed in the United States.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

7.9 ASX LISTING, REGISTERS AND HOLDING STATEMENTS

7.9.1 Application to ASX for listing of Forbidden Foods and quotation of Shares

Forbidden Foods applied to ASX for admission to the Official List and quotation of the Shares on ASX under the code "FFF". The application for admission was made on 17 July 2020.

A copy of this Prospectus has been lodged with ASIC. Neither ASX nor ASIC takes responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Forbidden Foods to the Official List is not to be taken as an indication of the merits of Forbidden Foods or the Shares offered for subscription.

If permission is not granted for the Shares to be quoted on ASX on terms acceptable to the Company within three months of the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company in connection with the Offer will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.9.2 CHESS and issuer sponsored holdings

Forbidden Foods has applied, or will apply prior to Listing, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants who have provided a Holder Identification Number (**HIN**), the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's HIN for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their Shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.



8.

INDEPENDENT LIMITED ASSURANCE REPORT

8. INDEPENDENT LIMITED ASSURANCE REPORT

PKF Melbourne

21 July 2020

The Directors
Forbidden Foods Limited
Level 7, 575 Bourke Street
MELBOURNE, VIC 3000

Dear Directors

PART 1 - INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL AND FORECAST FINANCIAL INFORMATION

1. Introduction

Forbidden Foods Limited ("Forbidden Foods" or the "Company") has requested PKF Melbourne Corporate Pty Limited ("PKF Corporate") to prepare this Independent Limited Assurance Report ("Report") for inclusion in the replacement prospectus to be dated on or about 21 July 2020 (the "Prospectus") relating to the offer of 30 million ordinary shares at $0.20 each to raise $6 million.

Expressions and terms defined in the Prospectus have the same meaning in this Report, unless otherwise specified.

2. Scope

You have requested PKF Corporate to perform a limited assurance engagement in relation to the Financial Information included in Section 4 of the Prospectus ("Financial Information").

2.1 Statutory Historical Financial Information

The Statutory Historical Financial Information comprises the following:

- the consolidated income statements of Forbidden Foods for the financial years ended 30 June 2018 and 30 June 2019, and the consolidated income statements of Forbidden Foods for the half years ended 31 December 2018 and 31 December 2019;
- the consolidated cash flow statements of Forbidden Foods for the financial years ended 30 June 2018 and 30 June 2019, and the consolidated cash flow statements of Forbidden Foods for the half years ended 31 December 2018 and 31 December 2019;
- the consolidated balance sheet of Forbidden Foods as at 31 December 2019; and
- the key accounting policies of the Company relevant to the Statutory Historical Financial Information.

The 30 June 2018 and 30 June 2019 financial statements of Forbidden Foods have been audited by PKF Melbourne Audit & Assurance Pty Ltd ("PKF Audit").

The financial statements for the half year ended 31 December 2019 of Forbidden Foods (which include comparative financial information for the half year ended 31 December 2018) have been reviewed by PKF Audit.

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For office locations visit www.pkf.com.au

The Statutory Historical Financial Information has been extracted from the financial reports of Forbidden Foods for the years ended 30 June 2018 and 30 June 2019, and the half year ended 31 December 2019. For the financial years ended 30 June 2018 and 30 June 2019, the financial reports were audited in accordance with Australian Auditing Standards by PKF Audit. The financial report for the six month period ended 31 December 2019 was reviewed by PKF Audit.

The audit report issued for the financial year ended 30 June 2018 was qualified as the auditors had not been appointed prior to completion of this financial period, and were therefore not able to observe the counting of physical inventories at the beginning and end of this financial period. The audit report for the financial year ended 30 June 2019 was also qualified as the auditors were not able to observe the counting of physical inventories at the beginning of this financial period. The auditors did not qualify the closing inventory balance as at 30 June 2019 as they were able to perform work back procedures from the stocktake attended for 31 December 2019 in order to gain sufficient comfort over the closing inventory balance as at 30 June 2019.

Material uncertainty relating to going concern was included in the audit reports for years ended 30 June 2018 and 30 June 2019, and the review report for the half year ended 31 December 2019. This did not result in a modified audit opinion or review conclusion in relation to going concern.

The Statutory Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

However, the Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements, and the significant accounting policies summarised in Appendix A of the Prospectus.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Statutory Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that Statutory Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management, directors and advisors of the Company; and
- review of working papers, accounting records and other documents of the Company and its auditors.

2.2 Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information comprises of the following:

- the Pro Forma consolidated income statements of Forbidden Foods for the financial years ended 30 June 2018 and 30 June 2019, and the half years ended 31 December 2018 and 31 December 2019 along with a reconciliation of pro forma and statutory results for these periods;
- the Pro Forma consolidated cash flow statements of Forbidden Foods for the financial years ended 30 June 2018 and 30 June 2019, and the half years ended 31 December 2018 and 31 December 2019, along with a reconciliation of pro forma and statutory results for these periods;
- the Pro Forma consolidated balance sheet of Forbidden Foods as at 31 December 2019; and
- the key accounting policies of the Company relevant to the Pro Forma Historical Financial Information.

The Pro Forma Historical Financial Information reflects the effects of the pro forma adjustments described in Section 4 of the Prospectus.

The stated basis of preparation of the Pro Forma Historical Financial Information are the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the event(s) and/or transaction(s) to which the pro forma adjustments relate, as described in Section 4.2 of the Prospectus as if these events and transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial performance and position.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the Offer and associated transactions on the Company's financial position as at 31 December 2019.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management, directors and advisors of the Company; and
- review of working papers, accounting records and other documents of the Company and its auditors.

2.3 Forecast Financial Information and directors' best estimate assumptions

You have requested PKF Corporate to perform limited assurance procedures in relation to the:

- the Statutory and Pro Forma forecast consolidated income statements for the financial year ended 30 June 2020; and
- the Statutory and Pro Forma forecast consolidated statements of cash flows for the financial year ended 30 June 2020,

of the Company (the responsible party) as described in Sections 4.3 and 4.5 of the Prospectus (the "Forecast Financial Information"). The directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 4.7 of the Prospectus. As stated in Section 4.2 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information set out in Sections 4.3 and 4.5 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information and the pro forma adjustments are not:
  - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
  - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and the Company's accounting policies;
- the Forecast Financial Information itself is unreasonable.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management and directors of the Company of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
  - the assumptions and amounts in the Forecast Financial Information; and
  - the application of accounting policies used in the Forecast Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

3. Directors' Responsibility

The directors of the Company are responsible for the preparation of:

- the Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Financial Information; and
- the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information (combined representing "Historical Financial Information"), the Forecast Financial Information, the best estimate assumptions underlying the Forecast Financial Information and the reasonableness of the Forecast Financial Information itself, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures to the accounting records in support of the Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Forecast Financial Information and the best estimate assumptions underlying the Forecast Financial Information and the reasonableness of the Forecast Financial Information.

5. Subsequent Events

Apart from the matters dealt with in this Report and elsewhere in the Prospectus, and having regard to the scope of our engagement, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2019, other than matters dealt with in this Report, would require comment on, or adjustments to, the Financial Information contained in Section 4 of the Prospectus, or would cause that information to be misleading or deceptive.

6. Conclusions

6.1 Review statement on the Historical Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as set out in Section 4 of the Prospectus, comprising:

- the pro forma and statutory historical income statements of Forbidden Foods for the years ended 30 June 2018 and 2019 and the six months ended 31 December 2018 and 2019;
- the pro forma and statutory historical statements of cash flows of Forbidden Foods for the years ended 30 June 2018 and 2019 and the six months ended 31 December 2018 and 2019; and
- the pro forma and statutory historical statement of financial position of Forbidden Foods as at 31 December 2019;

is not prepared or presented fairly, in all material respects and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies, and in the case of the Pro Forma Historical Financial Information, on the basis of the pro forma transactions and/or adjustments described in Sections 4.3.1 and 4.5.1 of the Prospectus.

6.2 Forecast Financial Information and the Directors' Best-Estimate Assumptions

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information and the pro forma adjustments:
  - are not prepared on the basis of the directors' best-estimate assumptions as described in Section 4.7 of the Prospectus; and
  - are not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and the Company's accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by the Company's management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial year ended 30 June 2020.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based, however such evidence is generally future-oriented and therefore speculative in nature. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 4 and 5 of the Prospectus. The sensitivity analysis described in Section 4.8 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

7. General Advice Warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

8. Independence

PKF Corporate does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. PKF Corporate will receive a professional fee for the preparation of this Independent Limited Assurance Report.

9. Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Information to which it relates, for any purpose other than that for which it was prepared.

10. Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with the Standard on Assurance Engagements applicable to Corporate Fundraisings and/or Prospective Financial Information.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside of Australia. We are not recommending or making any representation as to the suitability of any investment to any person.

11. Consent

PKF Corporate has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included, but has not authorised the issue of the Prospectus. Accordingly, PKF Corporate makes no representations regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

12. Financial Services Guide

The PKF Corporate Financial Services Guide is contained in Part 2 of this Independent Limited Assurance Report.

Yours faithfully

PKF Melbourne Corporate Pty Ltd

Steven Perri
Director

Paul Lom
Director

Part 2 - Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

General Financial Product Advice

In this report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom nor Mr Steven Perri have any interest in the outcome of the capital raising, nor any relationship with Forbidden Foods or any of its Directors that may impact on our independence.

Drafts of this report were provided to and discussed with the Directors and management of Forbidden Foods and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with Forbidden Foods that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to this independent report on the Financial Information.

PKF Corporate had no part in the formulation of the Historical Financial Information, the Pro Forma Historical Financial Information, the Proposed Capital Raising and ASX Listing. Its only role has been the preparation of this report.

Remuneration

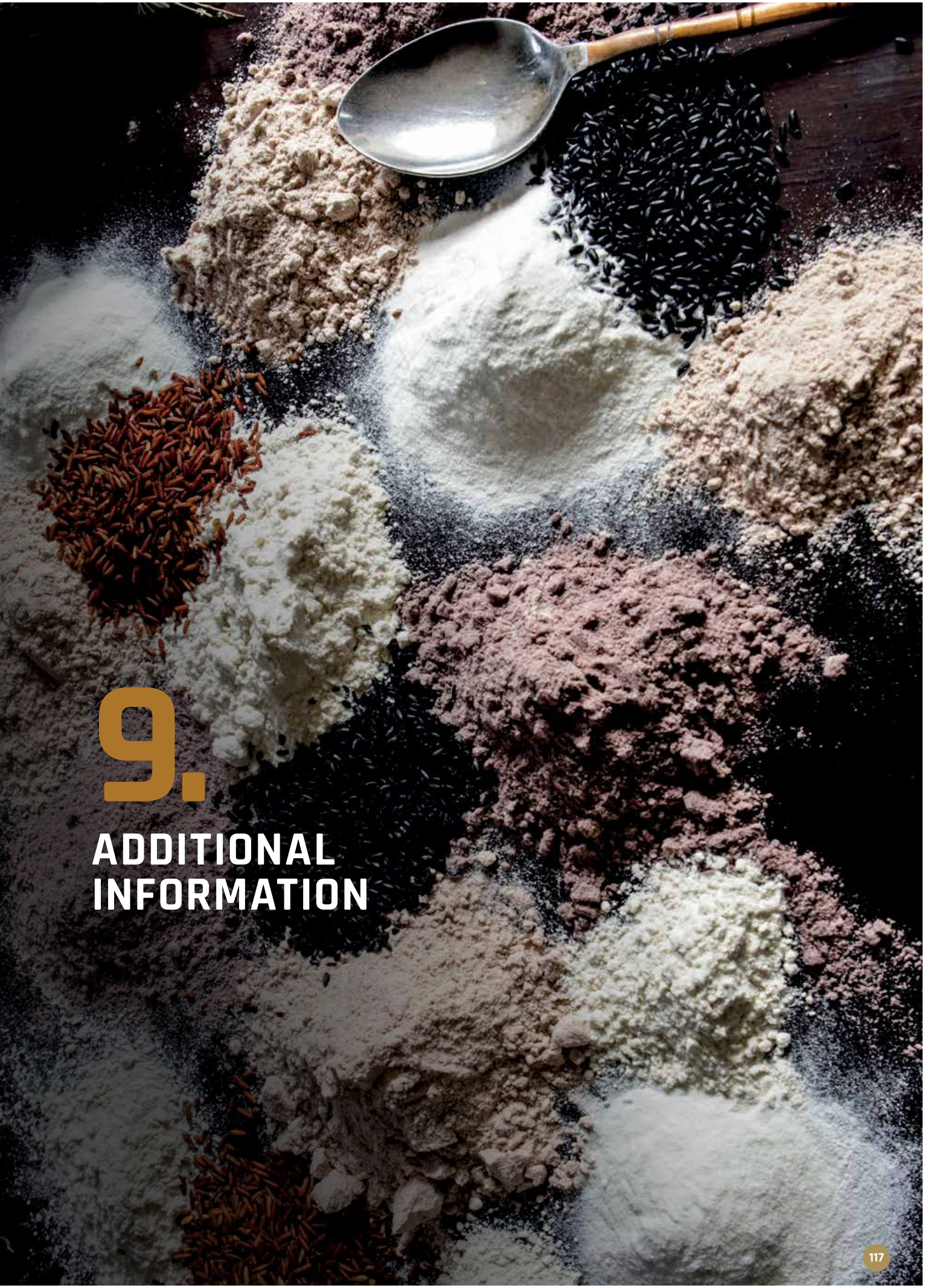
PKF Corporate is entitled to receive a fee of approximately $65,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at level 12, 440 Collins Street, Melbourne Vic 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne Vic 3000.



9.
ADDITIONAL INFORMATION

9. ADDITIONAL INFORMATION

9.1 REGISTRATION OF THE COMPANY

The Company was registered in the State of Victoria, Australia on 19 December 2016 as a proprietary company limited by shares.

The Company converted to a public company limited by shares on 11 March 2020.

9.2 COMPANY TAX STATUS

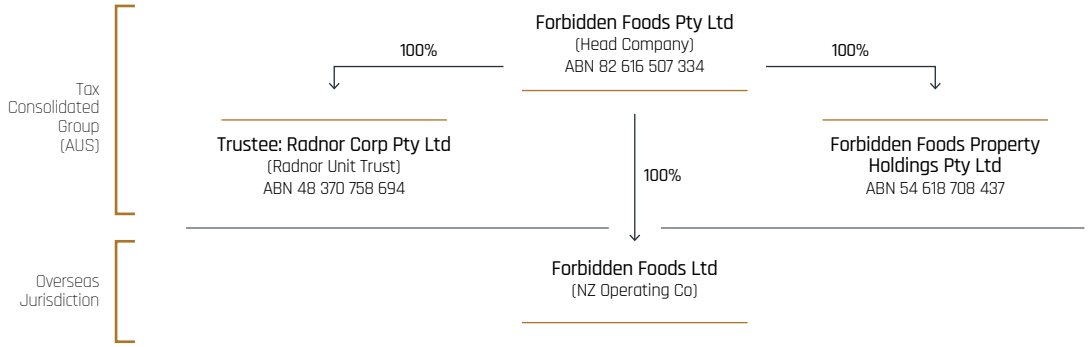
The Company will be taxed in Australia as a proprietary company. The accounts of the Forbidden Foods Group will have a 30 June year end.

9.3 CORPORATE AND CAPITAL STRUCTURE

9.3.1 Corporate structure

The following diagram shows the entities comprising the Forbidden Foods Group on completion of the IPO.

Figure 9.1: Corporate structure diagram



On completion of the IPO, all of the entities comprising the Forbidden Foods Group:

- are registered in Australia or New Zealand;
- are wholly owned (directly or indirectly) by the Company; and
- undertake the business of the Company as described in this Prospectus.

9.3.2 Capital Structure and Restructure

9.3.2.1 Corporate History

The Forbidden Foods Group comprises:

- Forbidden Foods Ltd ACN 616 507 334, the parent company;
- Radnor Corp Pty Ltd ACN 146 775 386 as trustee for the Radnor Unit Trust;
- the Radnor Unit Trust;
- Forbidden Foods Property Holdings Pty Ltd ACN 618 708 437; and
- Forbidden Foods Ltd NZBN 9429041889855, a wholly owned New Zealand subsidiary of the Company.

The Company was incorporated as a proprietary company limited by shares on 19 December 2016 in order to facilitate an internal restructure of the Forbidden Foods Group (**Restructure**).

9. ADDITIONAL INFORMATION

On incorporation of the Company, the initial subscribing members applied for and were allotted Shares for nominal consideration of $1.00 per Share in the following numbers:

- MKB Family Investments Pty Ltd as trustee for the MKB Family Trust (an entity associated with Marcus Brown) – 60 Shares;
- Milani Family Investments Pty Ltd as trustee for Milani Family Trust (an entity associated with Jarrod Milani) – 60 Shares; and
- Digging Lion Pty Ltd as trustee for the Adam and Victoria Soffer Trust (an entity associated with Company Secretary Adam Soffer) – 16 Shares.

Prior to the Restructure, the Forbidden Foods business was owned and operated by Radnor Corp Pty Ltd (**Radnor Corp**) as trustee for the Radnor Unit Trust (**Radnor Trust**).

9.3.2.2 Radnor Corp and Radnor Trust

The initial shareholders and unit holders of Radnor Corp and Radnor Trust respectively were as follows:

- Marcus Brown, who on 11 October 2010 subscribed for 40 shares in Radnor Corp at a subscription price of $1.00 per share and 40 units in the Radnor Trust at a subscription price of $1.00 per unit;
- Jarrod Milani, who on 11 October 2010 subscribed for 40 shares in Radnor Corp at a subscription price of $1.00 per share and 40 units in the Radnor Trust at a subscription price of $1.00 per unit; and
- Daniel Bactol, who on 11 October 2010 subscribed for 40 shares in Radnor Corp at a subscription price of $1.00 per share and 40 units in the Radnor Trust at a subscription price of $1.00 per unit.

On 10 November 2011, Daniel Bactol transferred his shares in Radnor Corp and his units in Radnor Trust, to Marcus Brown and Jarrod Milani equally for total consideration of $40.

On 1 January 2015, Adam Soffer (Company Secretary) applied for and was allotted 16 ordinary shares in Radnor Corp at a subscription price of $1.00 per share and 16 units in Radnor Trust at a subscription price of $1.00 per unit.

9.3.2.3 The Restructure

Under the Restructure, the shareholders and unit holders of Radnor Corp and Radnor Trust transferred their shares and units in Radnor Corp and Radnor Trust to the Company. The transfer was for cash consideration at market value, as opposed to exchanging the shares and units for the same number of shares in the Company (or a similar ratio). The Restructure was undertaken for cash rather than a scrip-for-scrip exchange because certain of the share and unit holders in Radnor Corp and Radnor Trust were different entities than the initial shareholders of the Company (although the same pro rata ownership ratio applied, and the shareholding entities were related entities of the same initial shareholders).

The transfer of units in Radnor Trust to the Company was completed on 24 January 2017. The transfer of shares in Radnor Corp occurred on 1 February 2017. The consideration payable for the transfers was as follows:

- Marcus Brown was owed $60.00 for 60 Radnor Corp shares and $67,110.00 for 60 Radnor Trust units;
- Jarrod Milani was owed $60.00 for 60 Radnor Corp shares and $67,110.00 for 60 Radnor Trust units; and
- Adam Soffer was owed $16.00 for 16 Radnor Corp shares and $17,896.00 for 16 Radnor Trust units.

The cash consideration payable under the Restructure was not paid immediately. Rather, it was accounted for as a non-interest bearing unsecured debt owing to the shareholders on the Company's balance sheet.

The debt was paid in full in November 2019.

9.3.2.4 Subsequent funding rounds

In 2017, the Company raised equity by the issue of Shares to unrelated seed capitalists as follows:

- 12 Shares were issued to N Sharp Superannuation Pty Ltd as trustee of the N Sharp Superannuation Fund in March 2017;
- 12 Shares were issued to Alladice Pty Ltd in its capacity as trustee of the Harry Edward Youngman Personal Superannuation Fund in March 2017; and
- 10 Shares were issued to Tiverton Rothwell Agriculture Pty Ltd (formerly, Tiverton Agriculture Pty Ltd) in September 2017.

Each of the 34 Shares was issued at an issue price of $17,647.06 for total proceeds of $600,000. On completion of the equity funding round in September 2017, the Company's total issued share capital was 170 Shares.

9.3.2.5 Share split and conversion

The Company's issued capital was subdivided from 170 Shares to 40,000,000 Shares (on a share split ratio of 1:235,294.117647) on 23 January 2020. The share split was approved by a resolution passed on the same date.

The Company converted from a proprietary company to a public company on 11 March 2020. A resolution approving the conversion was passed on 23 January 2020.

9.3.2.6 Share consolidation

The Company's issued capital was consolidated from 40,000,000 Shares into 26,448,630 Shares (on the basis that every 1 existing Share be consolidated into 0.661215756 of a Share) on 13 July 2020. The consolidation was approved by a resolution on the same date. Accordingly, the Company has 26,448,630 Shares on issue as at the Prospectus Date.

The Existing Shareholders of the Company are parties to a shareholders' deed, which automatically terminates on completion of the IPO.

9.4 CONVERTIBLE NOTES

9.4.1 The Convertible Notes

On 13 December 2019 the Company issued convertible notes to various investors (**Convertible Noteholders**) for total proceeds of $1,539,000, and on 29 January 2020 the Company issued further convertible notes for total proceeds of $461,000 (**Convertible Notes**). The purpose of issuing the Convertible Notes was to raise capital for the Company to facilitate future growth.

Simple, non-compounding interest accrues on the Convertible Notes at a rate of 10.0% per annum.

On Completion of the IPO, the Convertible Notes (together with accrued interest) will automatically convert into Shares at an effective conversion price of $0.14, equivalent to a 30% discount to the Offer Price.

On Completion of the Offer:

- the principal amount of the Convertible Notes (being $2,000,000) will convert into 14,285,729 Shares;
- the accrued interest outstanding on the Convertible Notes (being approximately $134,341 will convert into 959,562 Shares; and
- there will be no outstanding Convertible Notes on issue.

9.4.2 Impact of Convertible Notes on Issued Capital

The capital structure of the Company as disclosed in this Prospectus has been calculated on the basis that the Convertible Notes will convert on 25 August 2020 (the date of Completion of the Offer). If Completion of the Offer is delayed, additional Shares will be issued on conversion of the Convertible Notes, representing the interest that accrues for the period of the delay. For example, if Completion of the Offer is delayed by:

- one week (to 1 September 2020), an additional 27,401 Shares will be issued, for total issued Share capital of 75,028,400 Shares (Minimum Subscription) on Listing; and
- one month (to 25 September 2020), an additional 121,315 Shares will be issued, for total issued Share capital of 75,122,314 Shares (Minimum Subscription) on Listing.

9.4.3 Fees and expenses of Convertible Note offer

In connection with the Offer and issue of Convertible Notes, fees were paid to the following persons named in this Prospectus in the following amounts:

- approximately $40,160 was paid to Clarendon Lawyers for legal services;
- approximately $65,000 was paid to the Corporate Adviser in respect of corporate advisory services; and
- approximately $90,000 was paid to the Lead Manager in respect of lead manager services,

provided in connection with the Offer and issue of the Convertible Notes in 2019 and 2020.

9. ADDITIONAL INFORMATION

9.5 MATERIAL CONTRACTS

The Directors consider that there are a number of contracts which are significant or material to the Company or of such nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

9.5.1 Lead Manager Mandate

The Company and the Lead Manager have entered into a mandate agreement (as amended), pursuant to which the Company has appointed the Lead Manager to act as the exclusive manager of the Offer and to allocate Shares by agreement with the Company. The following is a summary of the principal provisions of the Lead Manager Mandate.

Fees and expenses

On settlement of the Offer, which is expected to occur on Friday, 21 August 2020 (**Settlement Date**), the Company must pay the Lead Manager:

- a selling fee of 4.5% of the gross proceeds from the IPO, payable in cash;
- 1,653,039 Shares; and
- 2.0 million options to acquire Shares, with an exercise price of $0.30 each and exercisable within 36 months from the date of Listing (**Adviser Options**).

The Company has agreed to reimburse the Lead Manager for all reasonable costs and expenses incurred as part of the Offer.

Termination

The Lead Manager Mandate will continue until the date that is 6 months after completion of the IPO, unless terminated earlier or extended by mutual written agreement.

The Company or the Lead Manager may terminate the Lead Manager Mandate by giving written notice to the other. The termination will take effect upon receipt by the other party of the written notice.

In the event of expiry or termination, the Lead Manager will only be entitled to receive payment in full of any fees and legal and out-of-pocket expenses that have accrued or been incurred which have not yet been invoiced or paid.

Representations, warranties and undertakings

The Lead Manager Mandate contains warranties, representations and undertakings standard for an agreement of this nature.

The representations and warranties relate to matters such as disclosures and accuracy of information, compliance with applicable laws (including the ASX Listing Rules), documents to be prepared and due diligence investigations in connection with the Offer, approvals, validity of issued securities and conduct.

The Company provides undertakings such as agreeing to procure that appropriate due diligence investigations are undertaken by the DDC.

Indemnity

The Company agrees to keep the Lead Manager and certain of its affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including gross negligence, recklessness, misconduct, wilful default or fraud).

9.5.2 Corporate Adviser Mandate

Fees and expenses

On settlement of the Offer, which is expected to occur on the Settlement Date, the Company must pay the Corporate Adviser:

- a management fee of 2.0% of the gross proceeds from the IPO, payable in cash;
- a success fee of $50,000 for successful completion of the IPO;
- 1,653,039 Shares; and
- 2.0 million options to acquire Shares, with an exercise price of $0.30 each and exercisable within 36 months from the date of Listing (**Adviser Options**).

9. ADDITIONAL INFORMATION

On and from completion of the IPO, the Company must pay the Corporate Adviser a retainer fee of $7,500 per month for a minimum period of 6 months and a maximum period of 12 months in respect of investor relations and public relations services provided to the Company, unless the mandate is terminated earlier. On expiry of the minimum period, the retainer may be terminated by either party by giving the other at least 30 day's prior written notice. The Company has agreed to reimburse the Corporate Adviser for all reasonable costs and expenses incurred as part of the Offer.

Termination

The Corporate Adviser Mandate will terminate on the earlier of 6 months after completion of the IPO and 18 months after Cadmon's appointment, unless terminated by mutual written agreement.

The Company or the Corporate Adviser may terminate the Corporate Adviser Mandate by giving written notice to the other. The termination will take effect upon receipt by the other party of the written notice.

In the event of expiry or termination, the Corporate Adviser will only be entitled to receive payment in full of any fees and legal and out-of-pocket expenses that have accrued or been incurred which have not yet been invoiced or paid.

Representations, warranties and undertakings

The Corporate Adviser Mandate contains warranties, representations and undertakings standard for an agreement of this nature.

The representations and warranties relate to matters such as disclosures and accuracy of information, compliance with applicable laws (including the ASX Listing Rules), documents to be prepared and due diligence investigations in connection with the Offer, approvals, validity of issued securities and conduct.

The Company provides undertakings such as agreeing to procure that appropriate due diligence investigations are undertaken by the DDC in relation to the IPO.

Indemnity

The Company agrees to keep the Corporate Adviser and certain of its affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including gross negligence, recklessness, misconduct, wilful default or fraud).

9.5.3 Zambrero Trading Term Agreements

Table 9.1: Summary of Zambrero Trading Term Agreements

Nature of agreement	Pursuant to agreements with Fresh Mex Sauces Pty Ltd (trading as Zambrero), Forbidden Foods supplies seeds, spirulina and rice products to Zambrero in Australia, New Zealand and Ireland.
Term and expiry	Commenced 16 November 2018 and continues until 17 January 2021.
Termination	Either party may terminate the agreement for convenience at any time with 6 months notice or with agreement to use up allocated stock, whichever is earlier. Either party may terminate the use of individual products contained in the agreement with 6 months' written notice or with agreement to use up allocated stock, whichever is earlier. Either party may terminate immediately for standard insolvency events. Either party may terminate on 3 months' written notice for force majeure events.
Contracted minimum volume	**Supply within Australia:** Forbidden Foods is responsible to ensure continuous supply. **Supply within Ireland and New Zealand:** Forbidden Foods is responsible to ensure continuous supply. If Zambrero stores do not comply with purchasing the products listed in the agreement, Forbidden Foods may charge a service charge to Zambrero to cover out of pocket expenses to service Zambrero stores in New Zealand.
Exclusivity	Exclusive 2 year agreement in Mexican Food quick service restaurants excluding Jasmine White Rice. Forbidden Foods shall be the exclusive and sole supplier of the products and all rice products during the two year agreement period.

9. ADDITIONAL INFORMATION

9.5.4 PFD Food Services Warranty and Indemnity Agreement

Table 9.2: Summary of PFD Food Services Warranty and Indemnity Agreement

Nature of agreement	Pursuant to this Agreement, Forbidden Foods supplies goods to PFD for resupply by PFD.
Term and expiry	Commenced 18 November 2014 and continues until terminated in accordance with the Agreement (see below).
Termination	Agreement will terminate when PFD ceases to distribute and resell any products provided by Forbidden Foods.
Contracted minimum volume	N/A
Exclusivity	N/A

9.5.5 Woolworths Trading Terms

Table 9.3: Summary of Woolworths Trading Terms

Nature of agreement	Agreement governing the supply of goods by Radnor to Woolworths Group.
Term and expiry	Commenced 13 February 2018 and continues until terminated.
Termination	Both parties have a right to terminate the Terms or any purchase order for the goods with immediate effect on written notice to the other where a party breaches the Terms or if a party believes the other will breach the Terms, or an insolvency event occurs. Woolworths has a right to terminate with cause the Terms or any purchase order for goods with immediate effect on written notice to Forbidden Foods if Woolworths receives an unacceptable number of complaints about the goods, the supply of goods by the Company is irregular or is unavailable for a period of not less than 5 weeks, the Company agrees to sell their business or a change of control occurs in relation to the Company. Both parties have a right to terminate without cause on 1 months' written notice to the other.
Contracted minimum volume	N/A
Exclusivity	N/A

9. ADDITIONAL INFORMATION

9.5.6 Dalian Exclusive Agent Agreement

Table 9.4: Summary of Dalian Exclusive Agent Agreement

Nature of agreement	Exclusivity arrangement for the supply of rice products by Dalian exclusively to Radnor within Australia and New Zealand.
Term and expiry	Commenced 1 March 2018 for a term of 3 years, unless terminated prior in accordance with the terms (see below). At or before the expiry of the Agreement the parties shall negotiate in good faith for the renewal or extension of the Agreement.
Termination	If Radnor can't perform the minimum volume requirement continuously, the exclusivity will be reviewed and/or cancelled. Either party may terminate immediately by notice in writing to the other for the standard with cause events (material breach unremedied for 30 days, insolvency events, force majeure for 6 months).
Contracted minimum volume	Forbidden Foods is subject to a minimum order requirement of 1 x 20' ft container. The supply of the products by Dalian must be without interruption and the manufacturer shall supply all quantities of the products as reasonably required by Forbidden Foods.
Exclusivity	Three year exclusivity arrangement for the supply of specified rice products by Dalian exclusively to Forbidden Foods within Australia and New Zealand. Dalian agrees not to supply to a competitor of Forbidden Foods any certified organic products.

9.5.7 NAB Business Overdraft Facility

Table 9.5: Summary of NAB Business Overdraft Facility

Nature of agreement	NAB Business Overdraft Facility
Parties	Radnor Corp Pty Ltd as trustee for the Radnor Unit Trust Marcus Brown and Jarrod Milani (as guarantors) National Australia Bank Limited (**NAB**)
Limit	$100,000
Security Interests	There are a number of Personal Property Securities Register registrations over Radnor Corp in favour of NAB. The collateral includes all present and after acquired property, no exceptions.

9.5.8 Scottish Pacific Tradeline Facility

Table 9.6: Summary of Scottish Pacific Tradeline Facility

Nature of agreement	Scottish Pacific Tradeline Facility limited to US$250,000
Parties	Radnor Corp Pty Ltd as trustee for the Radnor Unit Trust Marcus Brown and Jarrod Milani (as guarantors) Scottish Pacific Trade Limited (**SP Trade**)
Limit	US$250,000
Security Interests	There are a number of Personal Property Securities Register registrations over Radnor Corp in favour of SP Trade. The collateral includes all present and after acquired property, no exceptions and purchase money security interest registrations.

9. ADDITIONAL INFORMATION

9.5.9 Company licences, permits and authorisations

9.5.9.1 BRC Global Standard Certificate of Conformity

SAI Global, an accredited certification body, having conducted an audit of the activities of procurement, storage and wholesaling of rice, cereals and grain products packed in bags, sacks and pouches, determined by certificate of conformity issued on 27 April 2020 that the Company, trading as Radnor, satisfied the requirements of the BRC Global Standard for Storage and Distribution.

9.5.9.2 NASAA Certified Organic – Certificate of Registration

By certificate issued on 5 June 2020, NASAA Certified Organic granted the Trustee for the Radnor Unit Trust, trading as Forbidden Foods, a certificate of registration in accordance with NASAA organic and biodynamic standards and the national standard for organic and biodynamic produce. The following processes and/or products were certified:

(a) Processing: handling and packing of certified organic rice and pudding products

(b) Whole, broken or flaked cereals and grains: rice (parboiled black, red, brown, white, green (bamboo-infused brown) and brown rice flakes

(c) Ready to eat meals: Black Rice & Coconut Pudding, Black Rice & Quinoa Pudding and Black Rice, Honey and Cinnamon

(d) Flours and starches: Rice Flour

(e) Vinegars: Apple cider/wine vinegar.

9.5.9.3 New Zealand Food Importer Registration

The Ministry for Primary Industries New Zealand, by Notice of Registration pursuant to Section 118 of the *Food Act 2014* (New Zealand), registered Forbidden Foods New Zealand as a Food Importer effective from 12 May 2017.

9.5.9.4 USA Food Importer Registration

The Company is registered with the U.S. Food and Drug Administration pursuant to the Federal Food Drug and Cosmetic Act, as amended by the Bioterrorism Act of 2002 and the FDA Food Safety Modernisaton Act. The Certificate of Registration was granted on 21 January 2020. The registration provides the FDA with information on the origin and distribution of food products.

9.5.9.5 Memberships

The Company is a member of the Food service Suppliers of Australia and the Australian Food and Grocery Council.

9.6 SUMMARY OF RIGHTS AND LIABILITIES ATTACHED TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

9.6.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List of the ASX.

9.6.2 Escrow restrictions

In the event that ASX determines that certain Shares should be classified as 'restricted securities', a Shareholder must not dispose of those restricted securities (and the Company must refuse to acknowledge a disposal) during the applicable escrow period, except as permitted by the ASX Listing Rules. Shareholders who hold restricted securities are taken to have agreed that the restricted securities are kept on the Company's issuer sponsored sub-register and to have a holding lock applied for the duration of the escrow period. Shareholders will not be entitled to participate in any return of capital on restricted securities during the escrow period except as permitted by the ASX Listing Rules.

9. ADDITIONAL INFORMATION

9.6.3 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the Chairman of the meeting has a casting vote, in addition to his or her deliberative vote.

9.6.4 Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

9.6.5 Dividends

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and decide the method of payment.

9.6.6 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules, *Corporations Regulations 2001* (Cth) and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the Corporations Act and ASX requirements. The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

9.6.7 Issues of further Shares

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

9.6.8 Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them. If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or any part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

9.6.9 Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. A marketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of not less than $500.

9.6.10 Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

9.6.11 Directors – Appointment and retirement

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum of nine Directors, unless the Company resolves otherwise at a general meeting. Directors are elected or re-elected at general meetings of the Company.

No Director (excluding the CEO) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either as an addition to the existing Directors or to fill a casual vacancy, who will then hold office until the conclusion of the next annual general meeting of the Company following his or her appointment.

9. ADDITIONAL INFORMATION

9.6.12 Directors – Voting

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present and entitled to vote on the matter. If the votes are equal on a proposed resolution, the Chairman of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote in which case the Chairman of the meeting does not have a second or casting vote and the proposed resolution is taken as lost. A Director may attend and vote by proxy at a meeting of the Board if the proxy is a Director, and has been appointed in writing by the appointer.

9.6.13 Directors – Remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director but the total aggregate amount provided to all Non-Executive Directors of the Company for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director (who is not the CEO or an executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.3. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors are entitled to be paid for all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of Board Committees. Any Director who performs extra services, makes any special exertions for the benefit of the Company or otherwise performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

Directors' remuneration is discussed in Section 6.3.1.

9.6.14 Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and that are not by the Constitution or by law directed or required to be done by the Company in its general meeting.

9.6.15 Preference shares

The Company may issue preference shares including preference shares which are, or at the option of the Company or holder are, liable to be redeemed or converted into ordinary shares. The rights attaching to preference shares are those set out in the Constitution or have been otherwise approved by special resolution of the Company.

9.6.16 Indemnities

The Company must indemnify each Director and executive officer on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the person as an officer of the Company.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or of a related body corporate, including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

9.6.17 Access to records

The Company may enter into contracts with a Director or former Director agreeing to provide continuing access for a specified period after the Director ceases to be a Director to board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director on such terms and conditions as the Board thinks fit. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.

9.6.18 Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of the Company.

9. ADDITIONAL INFORMATION

9.7 ESCROW ARRANGEMENTS

9.7.1 Escrow

As a condition of Listing, ASX has classified certain Shares as restricted securities. Certain Existing Shareholders and Convertible Noteholders will be issued restriction notices or have entered into ASX escrow deeds with the Company in relation to certain Shares that the relevant Shareholders will hold on Completion of the Offer. In addition, certain Existing Shareholders have entered into voluntary escrow arrangements with the Company in relation to certain Shares that they will hold on Completion of the Offer.

An "escrow" is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to certain exceptions set out in the escrow deeds. The effect of the mandatory restriction deeds is that the escrowed Shares cannot be dealt for the duration of the escrow period, subject to the exceptions described below.

The table below sets out the periods during which certain Shareholders will be restricted from dealing in their Shares pursuant to the mandatory and voluntary escrow arrangements.

A total of 3,173,835 Shares (representing 4.2% of the Company's issued capital on Listing) will be subject to voluntary escrow for a period of 6 months from Listing. This is represented by the "Existing Shareholders (other than Founders and Company Secretary)" row in Table 9.7 below. Accordingly, the Company will have a relevant interest in 4.2% of its own fully paid ordinary shares for a period of 6 months from Listing.

A total of 29,710,265 Shares (representing 39.6% of the Company's issued capital on Listing) have been classified as restricted securities and will be subject to mandatory, ASX-imposed escrow on Listing.

Given the limited number of Shares subject to voluntary escrow restrictions and the fact that all voluntary escrow restrictions (together with mandatory escrow restrictions on 4,157,148 Shares) will cease within 6 months of Listing, the Company does not consider that the level of voluntary escrow will adversely impact the Company's ability to undertake corporate actions post-Listing.

Table 9.7: Escrowed Shareholders

CLASS OF ESCROWED SHAREHOLDER	SHARES HELD ON LISTING	SHARES SUBJECT TO ESCROW ON LISTING	PERCENTAGE OF SHAREHOLDING SUBJECT TO ESCROW ON LISTING	ESCROW PERIOD
Founders and Company Secretary*	21,158,905	21,158,905	100%	2 years from Listing
Non-Executive Directors#*	458,631	158,631	34.6%	2 years from Listing
Existing Shareholders (other than Founders and Company Secretary)^	5,289,725	3,173,835	60.0%	6 months from Listing
Convertible Noteholders (other than Non-Executive Directors) – principal owing*	13,857,157	4,157,148	30.0%	December 2020/ January 2021
Convertible Noteholders (other than Non-Executive Directors) – accrued interest*	929,503	929,503	100.0%	12 months from Listing
Lead Manager*	1,653,039	1,653,039	100.0%	2 years from Listing
Corporate Adviser*	1,653,039	1,653,039	100.0%	2 years from Listing
Total	49,999,999	32,884,100	–	

The Non-Executive Directors also hold a total of 1,500,000 Director Options. The Director Options, and any Shares issued on exercise of the Director Options, are escrowed for 2 years from Listing.

* Shares subject to mandatory, ASX-imposed escrow.

^ Shares subject to voluntary escrow.

9.7.2 Release of escrow

There are limited circumstances in which the escrow may be released, namely:

- to allow the holder to accept a takeover bid for Forbidden Foods in accordance with the Corporations Act provided that offer is for all the ordinary securities of Forbidden Foods and holders of not less than 50% of Shares not subject to escrow have then accepted the takeover bid; and
- to allow the Escrowed Shares to be acquired under an amalgamation or scheme of arrangement or other reorganisation or acquisition of share capital under the Corporations Act.

9.8 ASX WAIVERS AND ASIC RELIEF

The Company has not obtained any exemptions, declarations or confirmations from ASIC or ASX in relation to the Offer.

9.9 LEGAL PROCEEDINGS

The Directors are not aware of any civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature instituted, pending or threatened in which the Company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company.

9.10 SUMMARY OF AUSTRALIAN TAX ISSUES FOR AUSTRALIAN TAX RESIDENT INVESTORS

9.10.1 Australian tax considerations

The following tax comments are based on the tax law in Australia in force as at the date of the Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the ownership of the Shares by investors, the taxation laws of Australia and/or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax, stamp duty and goods and services tax (GST) implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors that hold their Shares on capital account. These comments do not apply to Shareholders that hold Shares as trading stock and/or on revenue account, non-Australian resident investors, other investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

To the extent permitted by applicable law, the Company disclaims all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of this Section or the provision of this Section to the Shareholder or other party or the reliance on this Section by the shareholder or other party.

Taxation issues, such as (but not limited to) those covered by this Section, are only one of the matters an investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian financial services licence before making such a decision.

9.10.2 Dividends paid on shares

Dividends may be paid to Shareholders by the Company where the relevant legal requirements have been satisfied. The Company may attach "franking credits" to such dividends where specific requirements are satisfied. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax at the Australian corporate level. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

9.10.2.1 Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to the Shares to the extent they are held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend (subject to satisfying the "qualified person" rules outlined at Section 9.10.2.4). Such Shareholders should then be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund equal to the amount of the excess, subject to changes proposed by the current Federal Government opposition party.

To the extent that the dividend is unfranked, the Shareholder should include the dividend in their assessable income with no tax offset.

9.10.2.2 Australian tax resident corporate shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit (subject to satisfaction of the qualified person rules outlined at Section 9.10.2.4) in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend. Where the tax offset exceeds the tax payable, the excess cannot give rise to a refund for a company but can be converted into carry forward tax losses.

An Australian resident corporate Shareholder should also be entitled to a credit in its own franking account to the extent of the franking credit attached to the distribution received. This will allow the corporate Shareholder to pass on the benefit of the franking credits to its own Shareholder(s) on the payment of dividends.

9.10.2.3 Australian tax resident trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and any attached franking credit (subject to satisfaction of the qualified person rules) in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the Shareholder.

As the qualified person rules (referred to at Section 9.10.2.4) are particularly complex in the context of distributions/dividends received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on tax consequences arising in these circumstances.

9.10.2.4 Australian tax resident shares held "at risk"

The benefit of franking credits can be denied where a Shareholder is not a "qualified person", in which case the Shareholder will not need to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to be a "qualified person", a Shareholder must satisfy the holding period rule and the related payment rule.

Under the holding period rule, a Shareholder is required to hold Shares "at risk" for more than 45 days continuously over a specified period in order to qualify for franking benefits, including franking credits. This period is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have been held "at risk" for a continuous period of 45 days (not including the date of acquisition of disposal) at some time during the period of ownership of the Shares. Very broadly, Shares are held "at risk" to the extent that no material "positions" are adopted in relation to the Shares which have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative agreements, or agreements to sell the Shares).

There are some exceptions to the holding period rule, including where the total franking offsets of an individual in a year of income do not exceed $5,000 (small holding exception). Special rules also apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person. The related payment rule requires the Shareholder to have held the Shares at risk for the continuous 45 day period as above but during the period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, the related payment rule should not impact Shareholders who do not pass the benefit of the dividend to another person.

As noted above, the qualified person rules can be quite complex. Shareholders should seek independent professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.10.2.5 Dividend Washing

Specific anti avoidance rules have been introduced to deny franking tax offsets to certain 'dividend washing' arrangements. In broad terms, under a dividend washing scheme, participating shareholders seek to claim multiple franking credits in respect of a single economic interest by selling an interest after an entitlement to a franked distribution has accrued and then immediately purchasing an equivalent interest with a further entitlement to a corresponding franked distribution. Where applicable, no tax offset is available (nor amount required to be included in the shareholder's assessable income) for a dividend received on the parcel of shares purchased on the special ASX trading market. Shareholders should consider the impact of these rules having regard to their own personal circumstances.

9.10.2.6 Australian capital gains tax implications for Australian tax resident Shareholders on a disposal of Shares

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian capital gains tax (**CGT**) provisions in respect of the disposal of their Shares.

Where the capital proceeds received on disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are added together. To the extent that a net gain exists, such Shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied).In the event the Shareholder has unapplied revenue losses, these may similarly be applied to reduce the gain (subject to the relevant loss recoupment tests). Any remaining net gain (after the application of any carried forward capital losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to the comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against future capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders (individuals, complying superannuation entities or trustees) may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for at least 12 months prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual or trustee Shareholder, and a one third reduction of a capital gain for an Australian tax resident complying superannuation entity Shareholder. The concession applies to any net capital gain (i.e. it applies after capital losses have been deducted against any gains). The concession is not available to corporate Shareholders.

In relation to trustee Shareholders, the rules surrounding capital gains and the CGT discount are complex. The benefit of the CGT discount may flow through to relevant beneficiaries of the trust, provided those beneficiaries are not corporate entities. Shareholders which are trustees should seek specific advice as to the circumstances in which a beneficiary may be entitled to a CGT discount.

9.10.3 Tax File Number

A shareholder is not obliged to quote their tax file number (**TFN**), or where relevant, Australian Business Number (**ABN**), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal tax rate plus the Medicare levy from certain dividends paid (including unfranked and partially franked dividends). However, Australian tax resident Shareholders may be able to claim a tax credit in respect of the tax deducted in their income tax returns.

There is no withholding requirement in respect of fully franked dividends paid by the Company on the Shares.

9.10.4 Stamp Duty

Shareholders should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares. Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.10.5 Australian Goods and Services Tax

Under current Australian GST law, GST should not be payable in respect of the issue of Shares by the Company which will constitute an input taxed financial supply made to Australian Shareholders. No GST should be payable on the receipt of dividends on the basis that dividends are not considered a taxable supply.

However, Australian Shareholders may incur GST on costs associated with the acquisition or disposal of Shares of the Company such as brokerage, or other professional advisory services. A full input tax credit may not be available to Shareholders on these expenses as they are in connection with a financial supply.

Australian Shareholders should seek their own advice to determine whether they will be entitled to claim GST incurred on any costs associated with the acquisition of Shares.

9.11 FOREIGN SELLING RESTRICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person and Shares may not be offered or sold in any country outside Australia except as provided below.

9.11.1 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.11.2 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the "FMC Act"). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.11.3 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

9. ADDITIONAL INFORMATION

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.11.4 United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the *US Securities Act of 1933* and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

9.11.5 General foreign selling restrictions

The offer of Shares under this Prospectus does not constitute a public offer in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to permit otherwise a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

9.12 COSTS OF THE OFFER

The total estimated costs of the Offer under the Minimum Subscription are expected to be as follows:

Costs of the Offer

Item of expenditure	Minimum Subscription
Net cash costs of the Offer	1,032,423
Equity issued as fees in connection with the Offer	1,036,416
Costs of the Offer	**$2,068,839**

The cash costs of the Offer under the Minimum Subscription are expected to be as follows:

Cash costs of the Offer

Item of expenditure	Minimum Subscription
Lead Manager, selling and management fees	371,250
Corporate Adviser	236,500
Legal fees	220,000
Tax and accounting fees	88,000
Marketing, printing and distribution	23,667
Other costs	118,522
Total cash costs of the Offer	**1,057,939**
GST recoverable on costs of the Offer	(25,516)
Net cash costs of the Offer	**$1,032,423**

9. ADDITIONAL INFORMATION

The Lead Manager and Corporate Adviser will also be granted equity as fees in connection with the Offer, as described in the table below.

Equity issued as fees in connection with the Offer

Item of expenditure	Minimum Subscription
Lead Manager equity grants:	
1,653,039 Adviser Shares	330,608
2,000,000 Adviser Options[1]	187,600
Corporate Adviser equity grants:	
1,653,039 Adviser Shares	330,608
2,000,000 Adviser Options[1]	187,600
Total equity issued as fees in connection with the Offer	$1,036,416

1 Adviser Options have been valued at $0.0938 per option.

9.13 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- BW Equities has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Lead Manager in the form and context in which it is named. BW Equities has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus;
- Cadmon Advisory Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Corporate Adviser in the form and context in which it is named. Cadmon Advisory Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus;
- Clarendon Lawyers has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named. Clarendon Lawyers has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus;
- PKF Corporate has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Investigating Accountant in the form and context in which it is named and to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included. PKF Corporate has not authorised or caused the issue of this Prospectus and, other than in respect of the Independent Limited Assurance Report, does not make or purport to make any statement in the Prospectus;
- PKF Audit has given, and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as auditor, in respect of Forbidden Foods in the form and context in which it is named. PKF Audit has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in the Prospectus; and
- Automic has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Automic has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.

9. ADDITIONAL INFORMATION

No entity or person referred to above in Section 9.12 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 9.12 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 9.12.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 this Prospectus may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

9.14 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant under this Prospectus submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

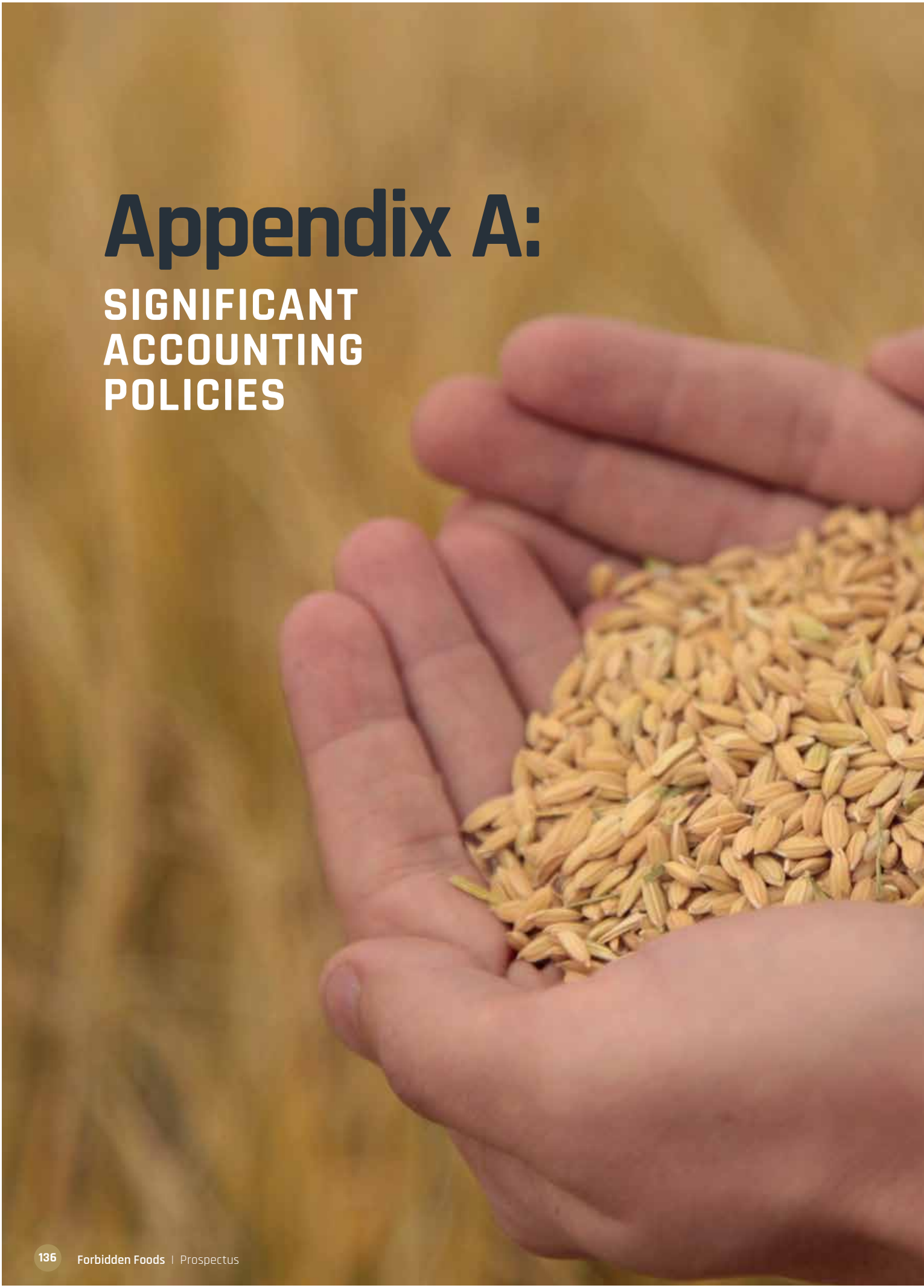
9.15 STATEMENT OF DIRECTORS

Each Director of the Company has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Prospectus is signed by a Director of Forbidden Foods Limited in accordance with section 351 of the Corporations Act.

Appendix A:

SIGNIFICANT ACCOUNTING POLICIES



APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information set out in Section 4 of this Prospectus are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(A) BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the recognition and measurement principles of AAS issued by the AASB which are consistent with IFRS and interpretations issued by the International Accounting Standards Board.

The Financial Information, except for the cash flow information, has been prepared on an accruals basis and are based on historical cost unless otherwise stated.

The Financial Information has been prepared on a going concern basis.

(B) PRINCIPALS OF CONSOLIDATION

The Financial Information includes the financial position and performance of entities within the Forbidden Foods Group, representing Forbidden Foods Limited and subsidiaries.

Subsidiaries are all those entities over which Forbidden Foods has control. Forbidden Foods controls an entity when it 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 Forbidden Foods. They are de-consolidated from the date that control ceases.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the Forbidden Foods Group have been eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(C) FOREIGN CURRENCY TRANSLATION

The Financial Information is presented in Australian dollars, which is Forbidden Foods Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

(D) REVENUE RECOGNITION

Applicable up to 30 June 2018

Revenue is recognised when it is probable that the economic benefit will flow to Forbidden Foods and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Applicable from 1 July 2018

Forbidden Foods recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which Forbidden Foods is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, Forbidden Foods: identifies the contract with the customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Sale of goods

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

Other revenue

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

(E) INCOME TAX

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

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

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

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

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

(F) CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the Statutory and Pro Forma Historical Balance Sheet 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 Forbidden Foods' 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 Forbidden Foods' 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.

(G) CASH AND CASH EQUIVALENTS

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

(H) TRADE AND OTHER RECEIVABLES

Applicable up to 30 June 2018

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that Forbidden Foods will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Applicable from 1 July 2018

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Forbidden Foods has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any provision for expected credit losses.

(I) INVENTORIES

Raw materials and finished goods are stated at the lower of cost and net realisable value on an average cost basis. Cost comprises of direct materials and delivery costs, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

(J) PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing-value basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	5-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to Forbidden Foods. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(K) RIGHT-OF-USE ASSETS

Applicable from 1 July 2019

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

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

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

(L) INTANGIBLE ASSETS

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

Trademarks

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

Website

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.

(M) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to Forbidden Foods prior to the end of the financial periods and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

(N) PROVISIONS

Provisions are recognised when Forbidden Foods has a present (legal or constructive) obligation as a result of a past event, it is probable the Forbidden Foods 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.

(O) EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

(P) BORROWINGS

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

(Q) LEASE LIABILITIES

Applicable from 1 July 2019

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, Forbidden Foods' 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.

(R) ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

(S) 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 Statutory and Pro Forma Historical Balance Sheet.

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.

(T) FINANCIAL INSTRUMENTS

Applicable from 1 July 2018

Financial instruments are recognised initially on the date that Forbidden Foods becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognise financial assets are subsequently measured in their entirety at amortised costs.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

Forbidden Foods' financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statutory and Pro Forma Historical Balance Sheet.

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 profit or loss.

Impairment of financial assets

Forbidden Foods 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 Forbidden Foods expects to receive. Any shortfall is discounted at an approximation to the asset's original effective interest rate. Forbidden Foods applies AASB 9's simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables.

Financial liabilities

Forbidden Foods 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. Forbidden Foods measures derivative financial instruments at fair value through profit and loss.

The financial liabilities of Forbidden Foods comprise trade payables, factoring arrangements and convertible notes.

Convertible Notes

Convertible Notes are separated into two liabilities, derivative financial instrument and convertible note liability, based on the terms of the Convertible Note Agreements.

On issuance of the Convertible Notes the derivative financial instrument, representing the discount on conversion to be granted to Convertible Noteholders, is recognised at fair value with the difference between the face value of the Convertible Notes and the value of the derivative financial instrument recognised as the convertible note liability. The interest on the Convertible Notes will also convert at a discount, therefore a further derivative financial instrument is recorded to recognise the discount to be provided to Convertible Noteholders upon conversion.

(U) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Information. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Revenue from contracts with customers involving sale of goods (Applicable from 1 July 2018)

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of Forbidden Foods 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.

Provision for impairment of receivables (Applicable up to 30 June 2018)

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Allowance for expected credit losses (Applicable from 1 July 2018)

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

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

Estimation of useful lives of assets

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

Income tax

Forbidden Foods is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Forbidden Foods recognises liabilities for anticipated tax audit issues based on Forbidden Foods' current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

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.

Incremental borrowing rate (Applicable from 1 July 2019)

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 Forbidden Foods 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.

Fair value measurement hierarchy (Applicable from 1 July 2019)

Forbidden Foods is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.



Appendix B:
GLOSSARY

APPENDIX B: GLOSSARY

TERM	MEANING
1H	the first six months of a financial year
2H	the second six months of a financial year
$ or A$	an Australian dollar
AAS or Australian Accounting Standards	the Australian Accounting Standards and other authoritative pronouncements issued by the AASB
AASB	the Australian Accounting Standards Board
Adviser Options	the 2,000,000 options to acquire Shares granted to each of BW Equities and Cadmon pursuant to the Lead Manager Mandate and Corporate Adviser Mandate (as described at Sections 9.5.1 and 9.5.2)
Adviser Shares	the 1,653,039 Shares granted to each of BW Equities and Cadmon at the Offer Price, pursuant to the Lead Manager Mandate and Corporate Adviser Mandate (as described at Sections 9.5.1 and 9.5.2)
Applicant	a person who submits an Application
Application	an application made to subscribe for Shares offered under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus relating to the Offer (including the electronic form provided by an online Application facility)
Application Monies	the amount of money accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the securities exchange that it operates, as the context requires
ASX Listing Rules	the listing rules of ASX, as amended, modified or waived from time to time
ASX Recommendations	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition)
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	the operating rules of ASX Settlement
Baby Foods	nutritional products for infants and small children
Board	the board of directors of the Company
BPAY®	the payment mechanism used to pay Application Monies online
BW Equities	BW Equities Pty Ltd (ACN 146 642 462)
Cadmon	Cadmon Advisory Pty Ltd (ACN 616 484 756)
CGT	capital gains tax
Chairman	the chairman of the Board

APPENDIX B: GLOSSARY

TERM	MEANING
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act. See Section 7.9.2
Cleansing Offer	the offer of 1,000 Shares at the Offer Price to raise $200 pursuant to this Prospectus
Cleansing Offer Closing Date	the date on which the Cleansing Offer is expected to close, being Wednesday, 26 August 2020
Closing Date	the date on which the Offer is expected to close, being Friday, 14 August 2020
Company	Forbidden Foods Limited (ACN 616 507 334)
Completion of the Offer	the completion of allocation and issue of Shares to Successful Applicants under this Prospectus
Constitution	the constitution of the Company
Convertible Note Agreements	the convertible note agreements entered into by the Company with Convertible Noteholders on 13 December 2019 and 29 January 2020, as described at Section 9.4
Convertible Notes	the convertible notes issued to Convertible Noteholders under the Convertible Note Agreements, as described at Section 9.4
Convertible Noteholders	the investors who subscribed for Convertible Notes pursuant to the Convertible Note Agreements which will convert into Shares in the Company on Completion of the Offer
Corporate Adviser	Cadmon
Corporate Adviser Mandate	the mandate agreement (as amended) between the Company and the Corporate Adviser, as described at Section 9.5.2
Corporations Act	*Corporations Act 2001* (Cth)
Director	a director of the Company
Director Options	options granted to the Non-Executive Directors in March 2020 to acquire Shares, the terms of which are described in Section 6.3.4.2
Enterprise Value	the sum of market capitalisation at the Offer Price and pro forma net debt
Escrowed Shareholders	the holders of Shares that are escrowed, as described in Section 9.7
Escrowed Shares	the shares which are subject to escrow restrictions as described in Section 9.7
Existing Shareholders	Shareholders as at the date of this Prospectus
Expiry Date	13 months after the date of the Original Prospectus
Exposure Period	the seven day period after lodgement of the Original Prospectus with ASIC (14 July 2020) and expiring on 21 July 2020, during which no Applications may be processed by the Company
Financial Information	the Historical Financial Information and the Forecast Financial Information
Food and Beverage Industry	food and beverage products sold to customers
Forecast Financial Information	defined in Section 4.1
Forbidden	a brand owned by Forbidden Foods that sells rice and packaged rice products

APPENDIX B: GLOSSARY

TERM	MEANING
Forbidden Foods	Forbidden Foods Limited (ACN 616 507 334) and, where the context requires, the Forbidden Foods Group (and Radnor Corp and Radnor Trust, the original owners and operators of the Forbidden Foods business)
Forbidden Foods Group	Forbidden Foods Limited and its subsidiaries
Founders	Marcus Brown and Jarrod Milani, the founders of Forbidden Foods
Free Trade Agreements	an arrangement that establishes unimpeded exchange and flow of goods and services between trading partners regardless of national borders
Funch	a brand acquired by Forbidden Foods that sells healthy 'do-it-yourself' mixes, blends, snacks and Baby Foods
FY	the abbreviation for a financial year, which ends on 30 June for the Company
GST	goods and services tax
Healthy Snacks	part of the broader Snack Food Production industry, producing health snack foods that have high nutritional value, such as muesli bars, protein bars and dried fruit and nuts
Historical Financial Information	defined in Section 4.1
IFRS	International Financial Reporting Standards
Independent Limited Assurance Report	the report of the Investigating Accountant as set out in Section 8
Industrial Food Service and Food Manufacturing	industrial food production that supply commercial food sectors including cafes, full service restaurants, hotels, QSR chains and caterers
Institutional Investors	investors who are: • wholesale clients under Section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act; or • institutional investors in certain other jurisdictions, as agreed by the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (expect one with which the Company is willing in its discretion to comply)
Investigating Accountant	PKF Melbourne Corporate Pty Ltd
IPO	the initial public offering of shares under this Prospectus and Listing
IT	information technology
Lead Manager	BW Equities
Lead Manager Mandate	the mandate agreement (as amended) between the Company and the Lead Manager, as described at Section 9.5.1
Listing	admission of the Company to the Official List and quotation of the Shares
LTI	long-term incentives

APPENDIX B: GLOSSARY

TERM	MEANING
Management	the executive management team of the Company, as described at Section 6.2
Minimum Subscription	means the minimum amount to be raised under the Offer made by this Prospectus, being $6.0 million
New Shareholders	Shareholders who are issued Shares under the Offer
Offer	the offer of Shares under this Prospectus to: • Australian resident retail investors; and • Institutional Investors in Australia and certain other eligible jurisdictions, as described in Section 7.3, and includes the Cleansing Offer where the case requires
Offer Period	the period from the Opening Date to the Closing Date
Offer Price	$0.20 per Share
Offer Website	www.forbiddenfoodsgroup.com/IPO
Official List	the official list of entities that ASX has admitted to and not removed from listing
Opening Date	the date on which the Offer opens, which is expected to be Wednesday, 22 July 2020
Options	options to acquire Shares, including the Adviser Options and the Director Options
Organic Foods	food products grown and produced without the use of chemical fertilisers, pesticides or artificial chemicals
Original Prospectus	the prospectus dated 14 July 2020 in relation to the Offer, which is replaced by this Prospectus
PKF Audit	PKF Melbourne Audit & Assurance Pty Ltd (ACN 600 749 184)
PKF Corporate	PKF Melbourne Corporate Pty Ltd (ACN 063 564 045)
Plan	the equity incentive plan defined in Section 6.3.2.1
Pro Forma Forecast Cash Flow Statement	defined in Section 4.1
Pro Forma Forecast Financial Information	the Pro Forma Forecast Cash Flow Statement and the Pro Forma Forecast Income Statement
Pro Forma Forecast Income Statement	defined in Section 4.1
Pro Forma Historical Balance Sheet	defined in Section 4.1
Pro Forma Historical Cash Flow Statements	defined in Section 4.1
Pro Forma Historical Financial Information	the Pro Forma Historical Balance Sheet, the Pro Forma Historical Cash Flow Statements and the Pro Forma Historical Income Statements
Pro Forma Historical Income Statements	defined in Section 4.1

APPENDIX B: GLOSSARY

TERM	MEANING
Prospectus	this document (including the electronic form of this Prospectus), under which the Offer is made and which is dated 21 July 2020, which is a replacement prospectus which replaces the Original Prospectus (and any supplementary or replacement prospectus in relation to this document)
Prospectus Date	the date on which a copy of this Prospectus is lodged with ASIC, being Tuesday, 21 July 2020
QSR	quick service restaurants
Radnor Corp	Radnor Corp Pty Ltd ACN 146 775 386 as trustee for the Radnor Unit Trust
Radnor Trust	Radnor Unit Trust ABN 48 370 758 694
Sensory Mill	a brand owned by Forbidden Foods that sells organic and conventional flour, powders, grains and blends
Settlement Date	the date on which settlement of the Offer is expected to occur, being Friday, 21 August 2020
Share	a fully paid ordinary share in the capital of the Company
Shareholder	a registered holder of Shares
Shareholding	a Shareholder's holding of Shares
Share Registry	Automic Pty Ltd ACN 152 260 814, which can be contacted on 1300 288 664 (within Australia) or +61 2 9698 5415
Statutory Forecast Financial Information	the Statutory Forecast Cash Flow Statement and the Statutory Forecast Income Statement
Statutory Forecast Cash Flow Statement	defined in Section 4.1
Statutory Forecast Income Statement	defined in Section 4.1
Statutory Historical Balance Sheet	defined in Section 4.1
Statutory Historical Cash Flow Statements	defined in Section 4.1
Statutory Historical Financial Information	the Statutory Historical Balance Sheet, the Statutory Historical Cash Flow Statements and the Statutory Historical Income Statement
Statutory Historical Income Statements	defined in Section 4.1
STI	short-term incentives
Successful Applicant	an Applicant who is issued Shares under the Offer
TFN	tax file number
United States or US	United States of America
US Securities Act	the *Securities Act 1933*, as amended

forbidden foods

Forbidden Foods Limited | ACN 616 507 334

APPLICATION FORM

Your Application Form must be received by no later than:
14 August 2020
(unless extended or closed earlier)

Application Options:

Option A: Apply Online and Pay Electronically **(Recommended)**

Apply online at: https://investor.automic.com.au/#/ipo/forbiddenfoods

- ✓ **Pay electronically:** Applying online allows you to pay electronically, for Australian residents through BPAY®.
- ✓ **Get in first, it's fast and simple:** Applying online is very easy to do, it eliminates any postal delays and removes the risk of it being potentially lost in transit.
- ✓ **It's secure and confirmed:** Applying online provides you with greater privacy over your instructions and is the only method which provides you with confirmation that you're Application has been successfully processed.

To apply online, simply scan the barcode to the right with your tablet or mobile device or you can enter the URL above into your browser.

Option B: Standard Application and Pay by Cheque

Enter your details below (clearly in capital letters using pen), attach cheque and return in accordance with the instructions on page 2 of the form.

1. Number of Shares applied for

, ,

Application payment (multiply box 1 by $0.20 per Share)

A$, , .

Applications under the Offer must be for a minimum of 10,000 Shares ($2,000) and then in increments of 2,500 Shares ($500).

2. Applicant name(s) and postal address (Refer to Naming Standards overleaf)

Post Code:

3. Contact details

Telephone Number

( )

Contact Name (PLEASE PRINT)

Email Address – By providing your email you will be kept informed on key updates relating to the Company

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

4. CHESS Holders Only – Holder Identification Number (HIN)

X

Note: if the name and address details in section 2 does not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.

5. TFN/ABN/Exemption Code

Applicant 1

Applicant #2

Applicant #3

NOT an individual TFN/ABN, please note the type in the box C = Company; P = Partnership; T = Trust; S = Super Fund

YOUR PRIVACY

Automic Pty Ltd (ACN 152 260 814) trading as Automic Group advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the Shares you hold) to be included in the public register of the entity in which you hold Shares. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automic.com.au

AUTOMIC GROUP

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Health Club A/C>	Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for fully paid ordinary Shares in Forbidden Foods Limited ACN 616 507 334 (the "**Company**") made under the terms set out in the Prospectus dated 21 July 2020 (which replaces the original Prospectus dated 14 July 2020).

Capitalised terms not otherwise defined in this document has the meaning given to them in the Prospectus. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and an Application Form, on request and without charge.

1. **Shares Applied For & Payment Amount** - Enter the number of Shares you wish to apply for. Your Application must be a minimum of A$2,000 of Shares and in multiples of $500 thereafter, there is no maximum Application amount. Next, enter the amount of the Application Monies payable. To calculate this amount, multiply the number of Shares applied for by the Offer Price, which is A$0.20 per Share.
2. **Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
3. **Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEDT) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at https://investor.automic.com.au/ -/home
4. **CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ('SRN') will be allocated to you.
5. **TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
6. **Payment** - Payments for Applications made through this Application Form can only be made by cheque. Payment can be made by BPAY but only by making an online Application, which can be accessed by following the web address provided on the front of the Application Form. Do not forward cash with this Application Form as it will not be accepted.

   Your cheque must be made payable to "Forbidden Foods Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus)
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of ages;
- Agree to be bound by the Constitution of the Company;
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital; and
- Give the acknowledgements set out at Section 7.5 of the Prospectus.

LODGEMENT INSTRUCTIONS

The Offer opens on 22 July 2020. The Offer is expected to close on 14 August 2020. The Directors reserve the right to close the Offer at any time once sufficient funds are received or to extend the Offer period. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be submitted:

By Post:
Forbidden Foods Limited
C/- Automic Group
GPO Box 5193
SYDNEY NSW 2001

By Hand Delivery:
Forbidden Foods Limited
C/- Automic Group
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Online:
https://investor.automic.com.au/#/ipo/forbiddenfoods

ASSISTANCE

Need help with your application, no problem. Please contact Automic on:

PHONE:
1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia

LIVE WEBCHAT:
Go to www.automicgroup.com.au

EMAIL:
corporate.actions@automicgroup.com.au

forbidden foods

Forbidden Foods Limited | ACN 616 507 334

APPLICATION FORM

Your Application Form must be received by no later than:
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Application Options:

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- ✓ **It's secure and confirmed:** Applying online provides you with greater privacy over your instructions and is the only method which provides you with confirmation that you're Application has been successfully processed.

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Enter your details below (clearly in capital letters using pen), attach cheque and return in accordance with the instructions on page 2 of the form.

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, ,

Application payment (multiply box 1 by $0.20 per Share)

A$, , .

Applications under the Offer must be for a minimum of 10,000 Shares ($2,000) and then in increments of 2,500 Shares ($500).

2. Applicant name(s) and postal address (Refer to Naming Standards overleaf)

Post Code:

3. Contact details

Telephone Number

( )

Contact Name (PLEASE PRINT)

Email Address – By providing your email you will be kept informed on key updates relating to the Company

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

4. CHESS Holders Only – Holder Identification Number (HIN)

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Note: if the name and address details in section 2 does not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.

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Applicant 1

Applicant #2

Applicant #3

NOT an individual TFN/ABN, please note the type in the box C = Company; P = Partnership; T = Trust; S = Super Fund

YOUR PRIVACY

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AUTOMIC GROUP

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Health Club A/C>	Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

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2. **Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
3. **Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEDT) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at https://investor.automic.com.au/ -/home
4. **CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ('SRN') will be allocated to you.
5. **TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
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   Your cheque must be made payable to "Forbidden Foods Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

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BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus)
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of ages;
- Agree to be bound by the Constitution of the Company;
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital; and
- Give the acknowledgements set out at Section 7.5 of the Prospectus.

LODGEMENT INSTRUCTIONS

The Offer opens on 22 July 2020. The Offer is expected to close on 14 August 2020. The Directors reserve the right to close the Offer at any time once sufficient funds are received or to extend the Offer period. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be submitted:

By Post:
Forbidden Foods Limited
C/- Automic Group
GPO Box 5193
SYDNEY NSW 2001

By Hand Delivery:
Forbidden Foods Limited
C/- Automic Group
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Online:
https://investor.automic.com.au/#/ipo/forbiddenfoods

ASSISTANCE

Need help with your application, no problem. Please contact Automic on:

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1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia

LIVE WEBCHAT:
Go to www.automicgroup.com.au

EMAIL:
corporate.actions@automicgroup.com.au

CORPORATE DIRECTORY

COMPANY'S REGISTERED OFFICE

Forbidden Foods Limited

Level 12, 440 Collins Street
Melbourne VIC 3000

LEAD MANAGER

BW Equities Pty Ltd

Level 30, 360 Collins Street
Melbourne VIC 3000

CORPORATE ADVISER

Cadmon Advisory Pty Ltd

Level 2, Professional Chambers
120 Collins Street
Melbourne VIC 3000

AUSTRALIAN LEGAL ADVISER

Clarendon Lawyers Pty Ltd

Level 29, 55 Collins Street
Melbourne VIC 3000

INVESTIGATING ACCOUNTANT

PKF Melbourne Corporate Pty Ltd

Level 12, 440 Collins Street
Melbourne VIC 3000

AUDITOR

PKF Melbourne Audit & Assurance Pty Ltd

Level 12, 440 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

Automic Pty Ltd

Level 5, 126 Phillip Street
Sydney NSW 2000

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1300 288 664 (within Australia)
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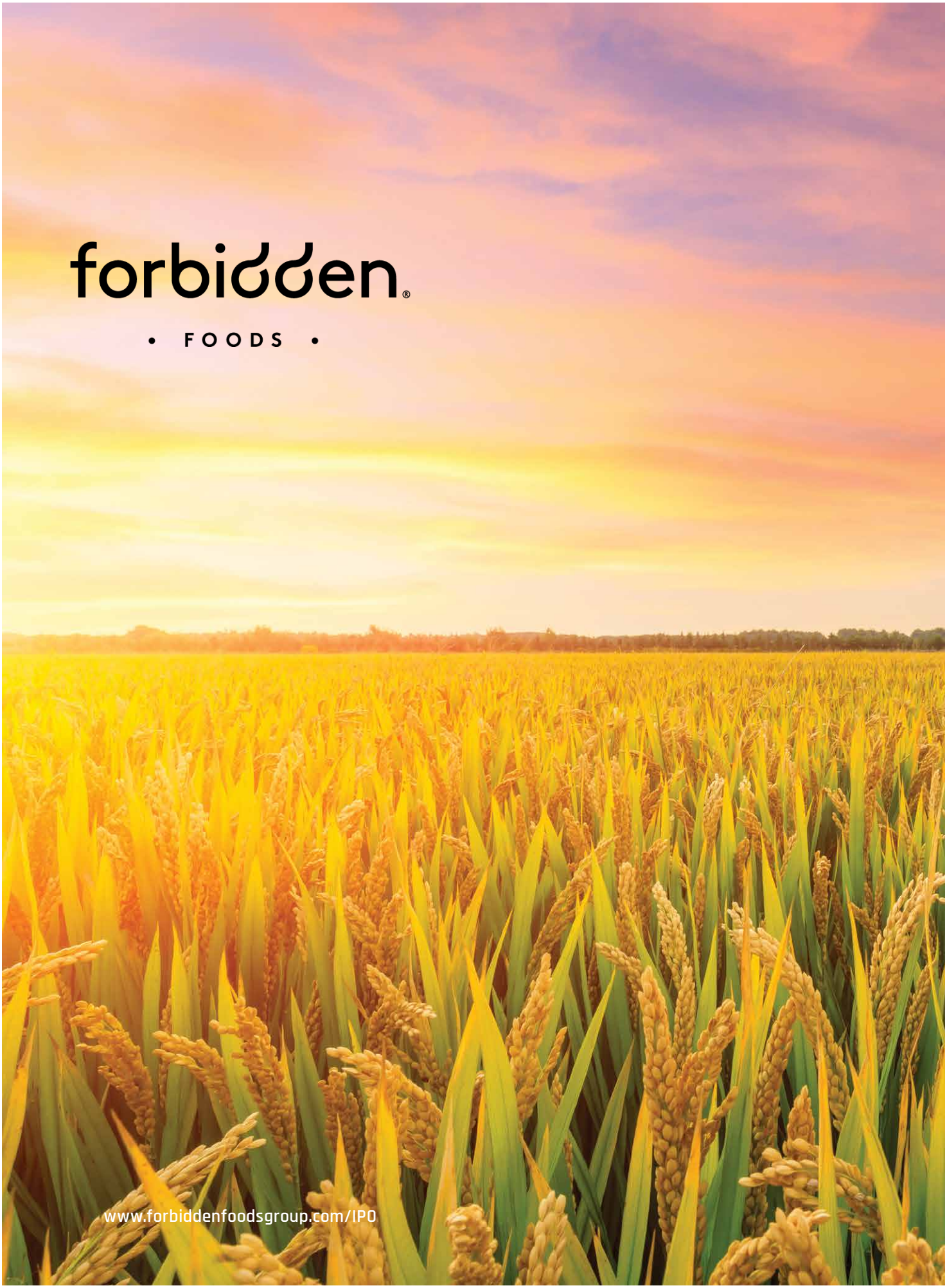
OFFER WEBSITE

www.forbiddenfoodsgroup.com/IPO

COMPANY WEBSITE

www.forbiddenfoodsgroup.com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