Forbidden Foods Limited

Appendix 4E – Preliminary final report

Lodged with the ASX under Listing Rule 4.3A

1. Company details

Name of entity:	Forbidden Foods Limited
ABN:	82 616 507 334
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

Year ended 30 June	Movement	%	$
Revenue from ordinary activities	Down	43.3% to	3,733,271
Loss for the period attributable to the owners of Forbidden Foods Limited			(5,464,248)
Total comprehensive loss for the period attributable to the owners of Forbidden Foods Limited			(5,464,248)

Comments

This year has been a year of significant transformation for Forbidden Foods, responding to the challenges of the global economy by focusing on reducing costs, streamlining our operations, and investing in our leading brand, Blue Dinosaur®. Significant progress has been made in these areas. Operational overheads have been reduced by restructuring operations and being more selective with marketing and promotion spending in specific channels and countries. The company also moved to a new ERP system that is more sustainable and scalable and provides greater insights for rapid decision making.

In addition, there has been a focus on building a healthy product range by focusing on lower-cost, higher-margin SKUs that strategically add value. This has resulted in exiting the bulk food service market and simplifying the product range and also involved no longer focusing resources on Sensory Mill® & FUNCH® and in particular the China & SEA markets. These changes have freed up additional working capital, right-sized inventory, and simplified our back-end operations to focus on Blue Dinosaur®.

The company has also prioritised resources for the Blue Dinosaur® brand, particularly in the North American market. Significant progress has been made in this area, including launching products on Amazon and in KeHE, one of the largest health and wellness distributors. There are positive signs with repeat purchases and strong engagement from retail partners.

The total comprehensive loss for the consolidated entity after providing for income tax amounted to $5,464,248 (2022: $3,676,468). The consolidated entity is supported by a strong balance sheet with net assets at 30 June 2023 of $1,863,467 (2022: $6,107,892), including a cash balance of $351,986 (2022: $2,297,588) and inventories of $514,727 (2022: $1,475,032).

3. Net tangible assets

	2023 Cents	2022 Cents
Net tangible asset backing per share	0.35	2.91

Comparatives have not been restated for the changes in issued capital that occurred during the year.

4. Loss per share

	2023 Cents	2022 Cents
Basic loss per share	(5.17)	(3.84)
Diluted loss per share	(5.17)	(3.84)

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

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

On 2 March 2023, a dormant subsidiary of the consolidated entity, Forbidden Foods (New Zealand) Limited was voluntarily wound up.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

From 1 July 2022 until 2 March 2023 (when the entity was voluntarily wound up as per note 5. Above), the results of the New Zealand subsidiary, Forbidden Foods (New Zealand) Limited, have been complied using International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

The results for Forbidden Foods Inc and Forbidden Foods LLC, have been complied using International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

10. Audit qualification or review

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

11. Attachments

The preliminary financial report of Forbidden Foods Limited for the year ended 30 June 2023 is attached.

12. Signed

On behalf of the directors



Jarrod Milani
Chair

31 August 2023
Melbourne

Forbidden Foods Limited

ACN: 616 507 334

Preliminary Financial Report – 30 June 2023

Forbidden Foods Limited
Consolidated statement of profit or loss and other comprehensive income

	Note	2023 $	2022 $
Revenue	2	3,733,271	6,581,489
Other income	3	39,525	896,451
Expenses			
Changes in inventories		(960,305)	(458,856)
Selling Expenses		77,903	-
Raw materials and consumables used		3,590,401	4,679,978
Employee benefits expense	4	1,739,351	2,268,137
Freight out and distribution expense		684,002	1,148,354
Depreciation and amortisation expense	4	127,719	192,583
Marketing and promotion costs		852,311	1,504,935
Occupancy costs		61,955	106,324
Professional services		461,484	704,506
Corporate expenses		169,592	131,289
Finance costs	4	34,867	27,316
Impairment of Intangible Assets	7	1,648,745	-
Other expenses		851,824	854,662
Loss before income tax expense		**(5,567,053)**	**(3,681,288)**
Income tax benefit		99,919	-
Loss after income tax expense for the year		**(5,467,134)**	**(3,681,288)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		2,886	4,820
Total comprehensive loss for the year		**(5,464,248)**	**(3,676,468)**
Loss per share			
Basic (cents per share)		(5.17)	(3.84)
Diluted (cents per share)		(5.17)	(3.84)

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

Forbidden Foods Limited
Consolidated statement of financial position

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents		351,986	2,297,588
Trade and other receivables	5	256,391	768,490
Inventories	6	514,727	1,475,032
Future Income Tax Benefit		32,050	-
Other assets		61,191	60,196
Total current assets		**1,216,345**	**4,601,306**
Non-current assets			
Property, plant and equipment		3,866	91,172
Assets held for sale		60,269	-
Intangible assets	7	1,409,360	3,109,991
Right-of-use assets	8	-	50,912
Other assets		-	10,831
Total non-current assets		**1,473,495**	**3,262,906**
Total assets		**2,689,840**	**7,864,212**
Liabilities			
Current liabilities			
Trade and other payables	9	753,542	1,365,553
Employee benefits		65,624	308,166
Lease liabilities	10	-	66,818
Total current liabilities		**819,166**	**1,740,537**
Non-current liabilities			
Employee benefits		7,207	15,783
Lease liabilities		-	-
Total non-current liabilities		**7,207**	**15,783**
Total liabilities		**826,373**	**1,756,320**
Net assets/(liabilities)		**1,863,467**	**6,107,892**
Equity			
Issued capital	11	16,428,304	15,346,088
Reserves	12	840,903	700,410
Retained losses		(15,405,740)	(9,938,606)
Total equity		**1,863,467**	**6,107,892**

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

Forbidden Foods Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital (Note 11) $	Reserves (Note 12) $	Retained losses $	Total equity $
Balance at 1 July 2022	**15,346,088**	**700,410**	**(9,938,606)**	**6,107,892**
Loss for the period	-	-	(5,467,134)	(5,467,134)
Other comprehensive income	-	2,886	-	2,886
Total comprehensive income/(loss)	-	2,886	(5,467,134)	(5,464,248)
Transactions with owners:				
Contributions of equity, net of transaction costs	1,082,216	-	-	1,082,216
Share-based payments	-	137,607	-	137,607
Balance at 30 June 2023	**16,428,304**	**840,903**	**(15,405,740)**	**1,863,467**

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

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

Forbidden Foods Limited
Consolidated statement of cash flows

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		4,444,332	6,553,586
Payments to suppliers and employees		(7,572,178)	(8,918,385)
Income taxes		67,869	(6,276)
Other income		73,204	84,750
Net cash used in operating activities		**(2,986,773)**	**(2,286,355)**
Cash flows from investing activities			
Payments for intangibles		(64,194)	(91,217)
Payments for property, plant and equipment		(1,154)	(59,893)
Payments for acquisition, net of cash acquired		-	(1,584,684)
Proceeds from disposal of property, plant and equipment		32,592	2,600
Other investing cashflows		-	(102,280)
Net cash used in investing activities		**(32,756)**	**(1,835,474)**
Cash flows from financing activities			
Proceeds from issue of shares		1,300,350	5,816,499
Interest Received		-	449
Finance costs		(34,308)	(11,678)
Capital raising costs		(135,712)	(401,086)
Repayment of lease liabilities		(56,334)	(133,033)
Net cash from financing activities		**1,073,996**	**5,271,151**
Net increase in cash and cash equivalents		(1,945,533)	1,149,322
Cash and cash equivalents at the beginning of the financial year		2,297,588	1,149,060
Effects of exchange rate changes on cash and cash equivalents		(69)	(794)
Cash and cash equivalents at the end of the financial year		**351,986**	**2,297,588**

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

Note 1. Summary of significant accounting policies

There have been no material changes to the consolidated entity's application of its significant accounting policies as presented in the consolidated entity's financial statements for the year ended 30 June 2023, and the preparation of current financial information, and the presentation of any prior period comparatives, is consistent from one reporting period to the next.

Readers of this report should refer to note 2 'Significant accounting policies' in the consolidated entity's financial statements for the year ended 30 June 2022 for details of those policies.

Note 2. Revenue

	2023 $	2022 $
Revenue from contracts with customers		
Sale of goods	3,733,271	6,581,489
Total revenue	**3,733,271**	**6,581,489**

Disaggregation of revenue from contracts with customers is as follows:

	2023 $	2022 $
Geographical regions		
Australia and New Zealand	3,629,846	6,041,002
China and South-East Asia	-	497,082
United States	103,425	43,405
Total revenue	**3,733,271**	**6,581,489**

Note 3. Other income

	2023 $	2022 $
Government grants and tax incentives	73,200	84,750
Profit/(loss) on disposal of property, plant and equipment	(35,873)	2,700
Derecognise provision for earnout on acquisition of Blue Dinosaur Pty Ltd	-	800,000
Other income	2,198	9,001
Total other income	**39,525**	**896,451**

Note 4. Expenses

	2023 $	2022 $
Loss before income tax includes the following specific items:		
Employee benefits expense		
Salaries and wages	1,455,839	1,741,560
Superannuation	162,405	180,230
Share-based payments	137,607	112,775
Non-executive director fees	111,673	109,091
Other employee related expenses	(128,173)	124,481
Total employee benefits expense	**1,739,351**	**2,268,137**

Note 4. Expenses (continued)

	2023 $	2022 $
Depreciation and amortisation expense		
Depreciation of right-of-use assets	50,912	124,800
Depreciation of plant and equipment	20,996	27,202
Amortisation of intangible assets	55,811	40,581
Total depreciation and amortisation expense	**127,719**	**192,583**
Finance costs		
Debtor finance fees	15,881	5,870
Interest on lease liabilities	5,406	15,638
Trade finance fees	13,540	3,709
Other interest	40	2,099
Total finance costs	**34,867**	**27,316**

Note 5. Trade and other receivables

	2023 $	2022 $
Trade receivables	214,842	706,504
GST refundable	31,201	34,619
Property bond	10,348	27,367
Total trade and other receivables	**256,391**	**768,490**

Note 6. Inventories

	2023 $	2022 $
Stock in transit	33,376	-
Stock on hand	481,351	1,475,032
Total inventories	**514,727**	**1,475,032**

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

Note 7. Intangibles

	2023 $	2022 $
Goodwill	1,386,767	2,926,217
Trademarks	22,593	131,756
Website	-	52,018
Total intangibles	**1,409,360**	**3,109,991**

Note 7. Intangibles (continued)

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

	Goodwill $	Trademarks $	Website $	Total $
Balance at 1 July 2021	-	62,601	67,188	129,789
Additions	2,926,217	94,567	-	3,020,784
Amortisation expense	-	(25,412)	(15,170)	(40,582)
Balance at 30 June 2022	**2,926,217**	**131,756**	**52,018**	**3,109,991**
Balance at 1 July 2022	2,926,217	131,756	52,018	3,109,991
Additions	-	64,194	-	64,194
Amortisation expense	-	(40,641)	(15,170)	(55,811)
Impairment of intangibles	(1,539,450)	(106,362)	(2,933)	(1,648,745)
Reclassification to Assets held for sale		(26,354)	(33,915)	(60,269)
Balance at 30 June 2023	**1,386,767**	**22,593**	**-**	**1,409,360**

Note 8. Right-of-use assets

	2023 $	2022 $
Right-of-use assets	-	50,912
Total right-of-use assets	**-**	**50,912**

Note 9. Trade and other payables

	2023 $	2022 $
Trade payables	549,483	903,157
Accrued expenses	27,441	76,169
Accrued variable compensation		48,388
PAYG withholding	45,801	87,187
Payroll tax payable	(600)	(3,561)
Superannuation payable	38,212	54,672
Trade finance	33,332	163,836
Other payables	59,873	35,705
Total trade and other payables	**753,542**	**1,365,553**

Note 10. Lease liabilities

	2023 $	2022 $
Current		
Lease liabilities	-	66,818
Total lease liabilities	**-**	**66,818**

Note 10. Lease liabilities (continued)

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

	Lease liabilities $
Balance at 1 July 2021	443,747
Accretion of interest	15,638
Derecognition of lease option	(259,534)
Payments	(133,033)
Balance at 30 June 2022	**66,818**
Balance at 1 July 2022	66,818
Accretion of interest	559
Payments	(67,377)
Balance at 30 June 2023	**-**

Note 11. Issued capital

	2023 $	2022 $
Ordinary shares – fully paid	16,428,304	15,346,088
Total issued capital	**16,428,304**	**15,346,088**

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

	Number of shares	Share capital $
Fully paid ordinary shares		
Balance at 1 July 2021	75,000,999	8,731,675
Issue of ordinary shares – Acquisition of Blue Dinosaur Pty Ltd	4,166,667	1,200,000
Issue of ordinary shares – Placement Tranche 1	14,583,580	3,500,059
Issue of ordinary shares – Placement Tranche 2	8,333,085	1,999,940
Issue of ordinary shares – Share Purchase Plan	1,318,771	316,500
Deregistration of Forbidden Foods Property Holdings Pty Ltd	-	(1,000)
Share issue costs	-	(401,086)
Balance at 30 June 2022	**103,403,102**	**15,346,088**
Issue of ordinary shares – Placement 1 Tranche 1	25,850,775	917,703
Issue of ordinary shares – Placement 1 Tranche 2	3,726,670	132,297
Issue of ordinary shares – Placement 2 Tranche 1	13,750,000	251,350
Share issue costs	-	(219,134)
Balance at 30 June 2023	**146,730,547**	**16,428,304**

Note 11. Issued capital (continued)

Ordinary shares

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

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

Note 12. Reserves

	2023 $	2022 $
Foreign currency translation reserve	8,815	5,929
Share-based payments reserve	832,088	694,481
Total reserves	**840,903**	**700,410**

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

	Foreign currency $	Share-based payments $	Total $
Balance at 1 July 2021	1,109	581,706	582,815
Foreign currency translation	4,820	-	4,820
Share-based payments – key management personnel	-	112,775	65,782
Balance at 30 June 2022	**5,929**	**694,481**	**700,410**
Balance at 1 July 2022	5,929	694,481	700,410
Foreign currency translation	2,886	-	2,886
Share-based payments – key management personnel	-	137,607	137,607
Balance at 30 June 2023	**8,815**	**832,088**	**840,903**

Foreign currency reserve

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

Share-based payments reserve

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

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the directors or employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods

Note 13. Events after the reporting period

Since 30 June 2023, the following events have occurred:

On 1 July 2023, the consolidated entity advised it had appointed Alex Aleksic as Managing Director and CEO, effective 1 July 2022. Tony Rowlinson stood down as Executive Chair of the company and resigned as a director, and Non-Executive Director, Jarrod Milani transitioned to the role of Non-Executive Chairman.

On 31 July 2023 Forbidden Foods (Australia) Pty Ltd sold the Sensory Mill® brand via an Intellectual Property asset sale to Miao House Pty Ltd for $22,000.

On 9 August 2023, the consolidated entity advised that it received firm commitments for a Share Placement ('Placement') of approximately 36.68 million new fully paid ordinary shares ("Shares") in the Company at $0.02 per Share to raise approximately $0.73m, with further commitments to raise an additional $300,000, subject to shareholder approval at the Company's 2023 AGM, for a total Placement amount of $1.03m.

Funds raised will be used to accelerate sales with key retailers and drive brand awareness in the US and Australia for the Company's leading range of Blue Dinosaur® healthy snack food products and the company will also allocate capital to the strategic build-up of Blue Dinosaur® inventory holdings to fulfil future purchase orders.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

Note 14. Share-based payments

(a) Options granted during the period

	Number of options	Weighted average exercise price $
Balance at 1 July 2021	8,750,000	0.33
Granted during the year	-	-
Exercised during the year	-	-
Forfeited/expired during the year	-	-
Balance at 30 June 2022	**8,750,000**	**0.33**
Balance at 1 July 2022	8,750,000	0.33
Granted during the year	2,455,260	0.027
Balance at 30 June 2023	**11,205,260**	**0.26**