

Candy Club Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Candy Club Holdings Limited
ACN:	629 598 778
Reporting period:	For the half-year ended 30 June 2021
Previous period:	For the half-year ended 30 June 2020

2. Results for announcement to the market

			US\$
Revenues from ordinary activities	up	100.4% to	6,863,484
Loss from ordinary activities after tax attributable to the owners of Candy Club Holdings Limited	up	62.6% to	(4,053,202)
Loss for the half-year attributable to the owners of Candy Club Holdings Limited	up	62.6% to	(4,053,202)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to US\$4,053,202 (30 June 2020: US\$2,492,608).

Refer to the review of operations section of the Directors' Report for additional commentary.

3. Net tangible assets/ (liabilities)

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.96</u>	<u>0.63</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Candy Club Holdings Limited for the half-year ended 30 June 2021 is attached.

12. Signed



Justyn Stedwell – Secretary

Date: 27 August 2021

Candy Club Holdings Limited

ACN 629 598 778

Interim Report - 30 June 2021

Candy Club Holdings Limited
Corporate directory
30 June 2021

Directors	Mr Keith Cohn (Executive Director) Mr James Baillieu (Non Executive Chairman) Mr Andrew Clark (Non Executive Director) Mr Chi Kan Tang (Non-Executive Director)
Company secretary	Mr Justyn Stedwell
Registered office	C/- Moray & Agnew Lawyers Level 6, 505 Little Collins Street Melbourne VIC 3000, Australia
Principal place of business	5855 Green Valley Circle Suite 101 Culver City, CA 90230
Share register	Automic Group Level 5, 126 Phillip Street Sydney NSW 2000, Australia
Auditor	HLB Mann Judd (Vic) Partnership Level 9, 575 Bourke Street, Melbourne VIC 3000, Australia
Solicitors	Moray & Agnew Lawyers Level 6, 505 Little Collins Street, Melbourne VIC 3000, Australia
Stock exchange listing	Candy Club Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: CLB) Candy Club Holdings Limited options are listed on the Australian Securities Exchange (ASX code: CLBO)
Website	https://www.candyclub.com
Corporate Governance Statement	https://www.candyclub.com

Candy Club Holdings Limited
Directors' report
30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Candy Club Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

Directors

The following persons were directors of Candy Club Holdings Limited during the half-year and up to the date of this report, unless otherwise stated:

Keith Cohn
James Baillieu
Chi Kan Tang
Andrew Clark

Principal activities

During the half-year the principal continuing activities of the consolidated entity consisted of:

- business to business and online candy distribution in the United States.

Review of operations

Revenue for the half-year grew 100% on a year over year (YoY) basis to US\$6,863,484 vs. US\$3,417,716 the prior year. The consolidated entity continues to invest heavily in the business as it currently prioritizes scale over near-term profitability. As such, the loss for the consolidated entity after providing for income tax amounted to US\$4,053,202 (30 June 2020: US\$2,492,608). The B2B business continues to be the primary focus for growth, with many new key customer wins occurring in the first-half of CY2021 resulting in orders that will ship in the second-half of 2021. Gross margins remain strong (43%) with opportunities to grow these further in the future.

During the half-year the company raised a total of US\$7,658,202 (before costs) via issuance of a total of 53,752,430 fully paid ordinary shares pursuant to a private placement, and a further US\$5,000,000 via a new debt facility. The facility provides for additional finance of US\$2,500,000 on 31 August, 2021 or 31 October, 2021, subject to the consolidated entity achieving certain key milestones, which the board reasonably believe that it is materially on track to achieve in view of the COVID induced trading conditions. The combined effect of the new debt and equity has strengthened the consolidated entity's financial position and will allow it pursue its objectives going forward.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year, other than those addressed in the review of operations section.

Matters subsequent to the end of the financial half-year

On 30 July 2021, after receiving shareholder approval at the company's Annual General Meeting, the terms of the existing legacy ESOP options were amended to allow for the cashless exercise and acceleration of the vesting in the event of a change of control. Management have reviewed the impact of this change on the accounting treatment of the related options going forward and concluded that it will have no impact from an accounting perspective.

On 13 August 2021, the company issued 8,942,168 fully paid ordinary shares, in lieu of payment of the Break Fee and/or Success Bonus and issuance of warrants under the consolidated entity's debt facility, after shareholder approval at the company's Annual General Meeting. The transaction was accounted for as an adjusting post-balance date event in accordance with AASB 110 - Events After Reporting Date.

On 13 August 2021, the company issued 7,785,865 fully paid ordinary shares to a director or related entity raising a total of US\$1,128,750 (before costs), following shareholder approval at the company's Annual General Meeting.

On 24 August 2021, the company issued 6,432,733 fully paid ordinary shares to a director and his related party raising a total of US\$1,063,955 (before costs), following shareholder approval at the company's Annual General Meeting.

Candy Club Holdings Limited
Directors' report
30 June 2021

On 24 August 2021, the company issued 8,025,000 options to key management personnel as part of their remuneration following shareholder approval at the company's Annual General Meeting. The options have a 4 year term and are exercisable at AU\$0.24. These options were granted to the key management personnel before 30 June 2021.

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

Impact of COVID 19 pandemic

During the current financial half-year the COVID-19 pandemic continued to have a significant impact on the global economy. In response to the pandemic, the US, state and local governments continued with a series of measures aimed at preventing the spread of COVID-19 ("measures"), which had the subsequent effect of impacting the state of the US economy (i.e. impact on supply chain, customers, availability of finance, consumer confidence, etc). The consolidated entity has responded to the COVID-19 in the following ways:

- Extending Candy Club's stated business continuity plan of enabling all consolidated entity employees, including head office and sales staff, to work remotely, until further notice;
- To date, no material business interruptions have occurred in either the consolidated entity's warehousing and distribution center operations, located primarily in Indiana, nor in its supply chain of core product or packaging vendors, as the consolidated entity's facility are classified as a food manufacturer and currently considered "essential critical business infrastructure"; given the fluidity of the situation this may be subject to change in the future;
- There are segments of the consolidated entity's business that continue to be negatively impacted by these events, such as sales to retail stores and hospitality outlets, and certain segments that have been positively impacted as a result of these measures, including e-commerce and grocery customers. While the consolidated entity's revenue has increased since the beginning of the COVID-19 pandemic, the situation in the US remains fluid and it is still too early to tell how revenue, earnings and cash flow for FY2021 will be impacted by the measures required by COVID-19;
- The consolidated entity's board of directors and management continually review and revise Candy Club's 2021 operating plans, including operating expense management solutions and associated cashflow budget, to adapt to the impact of the ongoing COVID-19 crisis; and
- With the onset of the Delta variant, the position in relation to the COVID-19 pandemic and its impact on the consolidated entity continues to evolve. The board and management will continue to monitor the situation.

Management continues to monitor other possible impacts associated with COVID-19. Management also recognises that the situation associated with the management of COVID-19 continues to evolve on a daily basis and it is difficult to estimate with any degree of certainty the resulting impact (financial and operational) which may have on Candy Club and its future results and financial position.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Keith Cohn
Executive Director

27 August 2021

Auditor's independence declaration

As lead auditor for the review of the consolidated financial report of Candy Club Holdings Limited ("the company") and its controlled entities ("the Group"), for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the Company and the entities it controlled during the period.



HLB Mann Judd
Chartered Accountants



Jude Lau
Partner

Melbourne
27 August 2021

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Candy Club Holdings Limited

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30 June 2021

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General information

The financial statements cover Candy Club Holdings Limited as a consolidated entity consisting of Candy Club Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in US dollars, which is Candy Club Holdings Limited's functional and presentation currency.

Candy Club Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

C/- Moray & Agnew Lawyers
Level 6, 505 Little Collins Street
Melbourne VIC 3000, Australia

Principal place of business

5855 Green Valley Circle
Suite 101
Culver City, CA 90230

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2021.

Candy Club Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021

	Note	Consolidated June 2021 US\$	June 2020 US\$
Revenue	4	6,863,484	3,417,716
Interest revenue calculated using the effective interest method		58	29
Other income		-	6,577
Expenses			
Cost of goods sold		(3,929,152)	(1,984,424)
Corporate and administration expenses		(410,859)	(192,979)
Marketing and promotional expenses		(2,852,164)	(909,910)
Employee benefits expense		(1,549,577)	(1,160,375)
Development expenses		(53,093)	(72,861)
Depreciation and amortisation expense		(68,236)	(83,427)
Share based payment expense		(745,512)	(886,037)
Technology expenses		(103,161)	(90,089)
Property expenses		(17,954)	(5,521)
Other expenses		(372,761)	(274,544)
Finance costs		(814,275)	(256,763)
Loss before income tax expense		(4,053,202)	(2,492,608)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Candy Club Holdings Limited		(4,053,202)	(2,492,608)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(93,914)	(34,553)
Other comprehensive loss for the half-year, net of tax		(93,914)	(34,553)
Total comprehensive loss for the half-year attributable to the owners of Candy Club Holdings Limited		(4,147,116)	(2,527,161)
		Cents	Cents
Basic earnings per share	16	(1.28)	(1.10)
Diluted earnings per share	16	(1.28)	(1.10)

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

Candy Club Holdings Limited
Statement of financial position
As at 30 June 2021

		Consolidated	
	Note	June 2021	December
		US\$	2020
			US\$
Assets			
Current assets			
Cash and cash equivalents		6,790,441	2,018,492
Trade and other receivables	5	668,516	448,667
Inventories	6	5,442,084	3,554,504
Other	7	524,880	294,360
Total current assets		<u>13,425,921</u>	<u>6,316,023</u>
Non-current assets			
Property, plant and equipment		116,538	5,286
Right-of-use assets		263,206	315,367
Intangibles		-	17,123
Other	7	28,750	29,500
Total non-current assets		<u>408,494</u>	<u>367,276</u>
Total assets		<u>13,834,415</u>	<u>6,683,299</u>
Liabilities			
Current liabilities			
Trade and other payables	8	2,158,932	1,838,789
Borrowings	9	1,260,130	1,385,155
Lease liabilities		67,737	80,400
Total current liabilities		<u>3,486,799</u>	<u>3,304,344</u>
Non-current liabilities			
Borrowings	9	3,367,718	1,412,059
Lease liabilities		96,200	117,695
Total non-current liabilities		<u>3,463,918</u>	<u>1,529,754</u>
Total liabilities		<u>6,950,717</u>	<u>4,834,098</u>
Net assets		<u>6,883,698</u>	<u>1,849,201</u>
Equity			
Issued capital	10	30,271,542	21,835,441
Reserves	11	(8,409,264)	(9,060,862)
Accumulated losses		<u>(14,978,580)</u>	<u>(10,925,378)</u>
Total equity		<u>6,883,698</u>	<u>1,849,201</u>

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

Candy Club Holdings Limited
Statement of changes in equity
For the half-year ended 30 June 2021

	Issued		Accumulated	Total
Consolidated	capital	Reserves	losses	deficiency in
	US\$	US\$	US\$	equity
				US\$
Balance at 1 January 2020 – restated	15,344,101	(10,126,314)	(6,390,336)	(1,172,549)
Loss after income tax expense for the half-year	-	-	(2,492,608)	(2,492,608)
Other comprehensive loss for the half-year, net of tax	-	(34,553)	-	(34,553)
Total comprehensive loss for the half-year	-	(34,553)	(2,492,608)	(2,527,161)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,486,389	-	-	2,486,389
Share-based payments	-	886,037	-	886,037
Balance at 30 June 2020	<u>17,830,490</u>	<u>(9,274,830)</u>	<u>(8,882,944)</u>	<u>(327,284)</u>
Consolidated	Issued		Accumulated	Total equity
	capital	Reserves	losses	US\$
	US\$	US\$	US\$	
				US\$
Balance at 1 January 2021	21,835,441	(9,060,862)	(10,925,378)	1,849,201
Loss after income tax expense for the half-year	-	-	(4,053,202)	(4,053,202)
Other comprehensive loss for the half-year, net of tax	-	(93,914)	-	(93,914)
Total comprehensive loss for the half-year	-	(93,914)	(4,053,202)	(4,147,116)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	8,436,101	-	-	8,436,101
Share-based payments	-	745,512	-	745,512
Balance at 30 June 2021	<u>30,271,542</u>	<u>(8,409,264)</u>	<u>(14,978,580)</u>	<u>6,883,698</u>

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

Candy Club Holdings Limited
Statement of cash flows
For the half-year ended 30 June 2021

	Note	Consolidated June 2021 US\$	June 2020 US\$
Cash flows from operating activities			
Receipts from customers		6,644,423	3,379,386
Payments to suppliers and employees		<u>(11,087,466)</u>	<u>(5,335,157)</u>
		(4,443,043)	(1,955,771)
Interest received		58	29
Other revenue		-	6,577
Interest and other finance costs paid		<u>(617,774)</u>	<u>(235,695)</u>
Net cash used in operating activities		<u>(5,060,759)</u>	<u>(2,184,860)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(110,204)	-
Proceeds from release of security deposits		<u>750</u>	<u>-</u>
Net cash used in investing activities		<u>(109,454)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of shares	10	6,972,230	157,092
Proceeds from shares yet to be issued		-	34,315
Proceeds from borrowings		5,312,145	2,538,622
Share issue transaction costs		(364,963)	(15,055)
Repayment of borrowings		(1,857,000)	(299,028)
Repayment of lease liabilities		<u>(34,158)</u>	<u>(130,533)</u>
Net cash from financing activities		<u>10,028,254</u>	<u>2,285,413</u>
Net increase in cash and cash equivalents		4,858,041	100,553
Cash and cash equivalents at the beginning of the financial half-year		2,018,492	543,342
Effects of exchange rate changes on cash and cash equivalents		<u>(86,092)</u>	<u>(3,752)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>6,790,441</u></u>	<u><u>640,143</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the period ended 31 December 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred a loss from ordinary activities of US\$4,053,202 for the half-year ended 30 June 2021 (2020: US\$2,492,608) and had negative cash from operating activities of US\$5,060,759 (2020: US\$2,184,860).

- At 30 June 2021 the consolidated entity already had net working capital of US\$9,939,122;
- Candy Club's business continues to evolve and scale as is evidenced by both the increased revenue on a year on year basis as well as the by the number of well established, national accounts who have endorsed the business by carrying the consolidated entity's products;
- In April 2021 the consolidated entity completed an aggregate of US\$15 million capital raise (before costs) in debt and equity, comprising of US\$5 million in debt via the company's debt facility and A\$10.7 via private placement of ordinary shares at an issue price of AU\$0.22 (US\$.165). Candy Club is utilizing these funds to grow the business by investing in inventory, customer credit, team expansion, technology and customer acquisition. The consolidated entity's debt facility provides for additional finance of US\$2,500,000 on 31 August, 2021 or 31 October 31, 2021, subject to the consolidated entity achieving certain key milestones, which the board reasonably believe that it is materially on track to achieve in view of the COVID induced trading conditions;
- Candy Club's management will continue to evaluate its growth prospects on an on-going basis to determine the right level of investment to support the consolidated entity's long-term objectives. If they determine that the best course of action to maximize shareholder returns requires further investment beyond its existing capital, they believe they will be successful in attracting additional working capital in the form of equity, debt or a combination of both based on the businesses strong fundamentals and its strong track record of raising capital when required;
- Management have the ability to reduce cash burn by reviewing expenditure and either deferring or eliminating discretionary expenditure.

Accordingly, the directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Note 2. Impact of COVID 19 Pandemic

During the current financial half-year the COVID-19 pandemic continued to have a significant impact on the global economy. In response to the pandemic, the US, state and local governments continued with a series of measures aimed at preventing the spread of COVID-19 ("measures"), which had the subsequent effect of impacting the state of the US economy (i.e. impact on supply chain, customers, availability of finance, consumer confidence, etc). The consolidated entity has responded to the COVID-19 in the following ways:

Note 2. Impact of COVID 19 Pandemic (continued)

- Extending Candy Club’s stated business continuity plan of enabling all consolidated entity employees, including head office and sales staff, to work remotely, until further notice;
- To date, no material business interruptions have occurred in either the consolidated entity’s warehousing and distribution center operations, located primarily in Indiana, nor in its supply chain of core product or packaging vendors, as the consolidated entity’s facility are classified as a food manufacturer and currently considered “essential critical business infrastructure”; given the fluidity of the situation this may be subject to change in the future;
- There are segments of the consolidated entity’s business that continue to be negatively impacted by these events, such as sales to retail stores and hospitality outlets, and certain segments that have been positively impacted as a result of these measures, including e-commerce and grocery customers. While the consolidated entity’s revenue has increased since the beginning of the COVID-19 pandemic, the situation in the US remains fluid and it is still too early to tell how revenue, earnings and cash flow for FY2021 will be impacted by the measures required by COVID-19;
- The consolidated entity’s board of directors and management continually review and revise Candy Club’s 2021 operating plans, including operating expense management solutions and associated cashflow budget, to adapt to the impact of the ongoing COVID-19 crisis; and
- With the onset of the Delta variant, the position in relation to the COVID-19 pandemic and its impact on the consolidated entity continues to evolve. The board and management will continue to monitor the situation.

Management continues to monitor other possible impacts associated with COVID-19. Management also recognises that the situation associated with the management of COVID-19 continues to evolve on a daily basis and it is difficult to estimate with any degree of certainty the resulting impact (financial and operational) which this may have on Candy Club and its future results and financial position.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment, being the candy distribution in the United States of America. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The consolidated entity operates the business of selling candies. CODM manages the B2B business line as part of the overall candy selling business, whereby no discrete financial information between the B2C and B2B lines is maintained other than the revenue generated. The Board being the chief operating decision maker monitors the financial performance and position of the group as a whole and not by the business line. To this end, the group has been assessed as one business segment during the half-year ended 30 June 2021. Refer to note 4 for split of total revenue per business line.

Note 4. Revenue

	Consolidated	
	June 2021	June 2020
	US\$	US\$
Sales of goods	<u>6,863,484</u>	<u>3,417,716</u>

Candy Club Holdings Limited
Notes to the financial statements
30 June 2021

Note 4. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	June 2021	June 2020
	US\$	US\$
<i>Revenue streams</i>		
Business to customer	1,198,907	1,163,712
Business to business	5,664,577	2,254,004
	<u>6,863,484</u>	<u>3,417,716</u>
<i>Geographical regions</i>		
United States of America	<u>6,863,484</u>	<u>3,417,716</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>6,863,484</u>	<u>3,417,716</u>

Note 5. Trade and other receivables

	Consolidated	
	June 2021	December
	US\$	2020
	US\$	US\$
<i>Current assets</i>		
Trade receivables	636,412	435,397
Less: Allowance for expected credit losses	(87,854)	(111,000)
	<u>548,558</u>	<u>324,397</u>
Other receivables	110,403	115,421
BAS receivable	9,555	8,849
	<u>668,516</u>	<u>448,667</u>

Note 6. Inventories

	Consolidated	
	June 2021	December
	US\$	2020
	US\$	US\$
<i>Current assets</i>		
Stock on hand - at cost	5,593,675	3,946,951
Less: Provision for impairment	(151,591)	(392,447)
	<u>5,442,084</u>	<u>3,554,504</u>

Candy Club Holdings Limited
Notes to the financial statements
30 June 2021

Note 7. Other

	Consolidated	December
	June 2021	2020
	US\$	US\$
<i>Current assets</i>		
Prepayments	<u>524,880</u>	<u>294,360</u>
<i>Non-current assets</i>		
Security deposits	<u>28,750</u>	<u>29,500</u>

Note 8. Trade and other payables

	Consolidated	December
	June 2021	2020
	US\$	US\$
<i>Current liabilities</i>		
Trade payables	1,618,435	1,351,451
Other payables	<u>540,497</u>	<u>487,338</u>
	<u>2,158,932</u>	<u>1,838,789</u>

All trade and other payables are unsecured.

Note 9. Borrowings

	Consolidated	December
	June 2021	2020
	US\$	US\$
<i>Current liabilities</i>		
Loan - short term (unsecured)	759,692	1,385,155
Loan - credit facility (secured)	487,120	-
Insurance premium finance (unsecured)	<u>13,318</u>	<u>-</u>
	<u>1,260,130</u>	<u>1,385,155</u>
<i>Non-current liabilities</i>		
Loan - credit facility (secured)	<u>3,367,718</u>	<u>1,412,059</u>

Short term borrowings

The bridging finance includes a balance of US\$650,000 (2020: US \$1,250,000) with interest being accrued at 1% (2020: 1%) per month. These loans may be converted into fully paid ordinary shares at the discretion of the lender.

Candy Club Holdings Limited
Notes to the financial statements
30 June 2021

Note 9. Borrowings (continued)

Credit facility

The debt facility of US\$5,000,000 has interest only payments for twelve months followed by thirty months of principal and interest repayment. The interest rate on the debt facility is 12% per annum. The facility provides for additional finance of US\$2.5m on 31 August, 2021 or 31 October, 2021, subject to the consolidated entity achieving key milestones which the board reasonably believe that it is materially on track to achieve in view of the COVID induced trading conditions. Total direct debt issuance costs of US\$1,145,162 have been capitalised and offset against the debt facility balance. As is traditional with these types of debt facilities, Venture Lending & Leasing IX, Inc. (the Lender) has first lien on the Candy Club LLC's assets and all other lenders must subordinate to the Lender. The debt facility is subject to certain financial and reporting covenants and meeting these covenants is given priority in all capital risk management decisions. There have been no events of default on the debt facility during the period ended 30 June 2021.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	December
	June 2021	2020
	US\$	US\$
Total facilities		
Credit facility	5,000,000	2,000,000
Used at the reporting date		
Credit facility	5,000,000	1,579,000
Unused at the reporting date		
Credit facility	-	421,000

Note 10. Issued capital

	Consolidated			
	June 2021	December	June 2021	December
	Shares	2020	US\$	2020
		Shares		US\$
Ordinary shares - fully paid	351,247,333	288,552,735	30,271,542	21,835,441

Movements in ordinary share capital

Details	Date	Shares	Issue price	US\$
Balance	1 January 2020	288,552,735		21,835,441
Conversion of options	9 February 2021	2,614	US\$0.003	8
Shares issued upon conversion of debt	9 February 2021	7,102,088	US\$0.097	685,972
Issue of shares	9 February 2021	12,500,001	US\$0.093	1,159,050
Issue of shares	20 April 2021	34,147,727	US\$0.170	5,813,172
Shares to be issued to settle fees in relation to US debt *		8,942,168	US\$0.128	1,142,862
Less cost of capital raised		-	US\$0.000	(364,963)
Balance	30 June 2021	<u>351,247,333</u>		<u>30,271,542</u>

* On 13 August 2021, the company issued 8,942,168 fully paid ordinary shares, in lieu of payment of the Break Fee and/or Success Bonus and issuance of warrants under the consolidated entity's debt facility, after shareholder approval at the company's Annual General Meeting. The transaction was accounted for as an adjusting post-balance date event in accordance with AASB 110 - Events After Reporting Date. Refer to note 15 for further details.

Candy Club Holdings Limited
Notes to the financial statements
30 June 2021

Note 11. Reserves

	Consolidated	December
	June 2021	2020
	US\$	US\$
Foreign currency reserve	(404,767)	(310,853)
Share-based payments reserve	4,384,480	3,638,968
Commonly controlled reserve	<u>(12,388,977)</u>	<u>(12,388,977)</u>
	<u>(8,409,264)</u>	<u>(9,060,862)</u>

Movements in reserves

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

Consolidated	Foreign currency US\$	Share-based payments US\$	Commonly controlled US\$	Total US\$
Balance at 1 January 2021	(310,853)	3,638,968	(12,388,977)	(9,060,862)
Foreign currency translation	(93,914)	-	-	(93,914)
Share-based payments	-	745,512	-	745,512
Balance at 30 June 2021	<u>(404,767)</u>	<u>4,384,480</u>	<u>(12,388,977)</u>	<u>(8,409,264)</u>

Note 12. Dividends

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

Note 13. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2021 and 31 December 2020.

Note 14. Related party transactions

Parent entity

Candy Club Holdings Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	June 2020
	June 2021	US\$
	US\$	US\$
Payment for other expenses:		
Interest accrued to key management personnel and their related entities.	52,687	148,847

Note 14. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	December
	June 2021	2020
	US\$	US\$
Current payables:		
Other payables to key management personnel	39,415	81,564
Bonus accrued to key management personnel	111,296	112,500

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	December
	June 2021	2020
	US\$	US\$
Current borrowings:		
Loan from key management personnel and their related entities *	756,427	1,381,810

* The bridging finance includes a balance of US\$650,000 (2020: US \$1,250,000) with interest being accrued at 1% (2020: 1%) per month. These loans may be converted into fully paid ordinary shares at the discretion of the lender.

Terms and conditions

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

Note 15. Events after the reporting period

On 30 July 2021, after receiving shareholder approval at the company's Annual General Meeting, the terms of the existing legacy ESOP options were amended to allow for the cashless exercise and acceleration of the vesting in the event of a change of control. Management have reviewed the impact of this change on the accounting treatment of the related options going forward and concluded that it will have no impact from an accounting perspective.

On 13 August 2021, the company issued 8,942,168 fully paid ordinary shares, in lieu of payment of the Break Fee and/or Success Bonus and issuance of warrants under the consolidated entity's debt facility, after shareholder approval at the company's Annual General Meeting. The transaction was accounted for as an adjusting post-balance date event in accordance with AASB 110 - Events After Reporting Date.

On 13 August 2021, the company issued 7,785,865 fully paid ordinary shares to a director or related entity raising a total of US\$1,128,750 (before costs), following shareholder approval at the company's Annual General Meeting.

On 24 August 2021, the company issued 6,432,733 fully paid ordinary shares to a director and his related party raising a total of US\$1,063,955 (before costs), following shareholder approval at the company's Annual General Meeting.

On 24 August 2021, the company issued 8,025,000 options to key management personnel as part of their remuneration following shareholder approval at the company's Annual General Meeting. The options have a 4 year term and are exercisable at AU\$0.24. These options were granted to the key management personnel before 30 June 2021.

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

Candy Club Holdings Limited
Notes to the financial statements
30 June 2021

Note 16. Earnings per share

	Consolidated	
	June 2021	June 2020
	US\$	US\$
Loss after income tax attributable to the owners of Candy Club Holdings Limited	<u>(4,053,202)</u>	<u>(2,492,608)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>317,269,276</u>	<u>227,346,108</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>317,269,276</u>	<u>227,346,108</u>
	Cents	Cents
Basic earnings per share	(1.28)	(1.10)
Diluted earnings per share	(1.28)	(1.10)

Note 17. Seasonality of operations

The consolidated entity derives its revenues from candy distribution in the United States. Due to events including Halloween, Thanksgiving and Christmas, the consolidated entity generates a higher revenue in the second half of the year, than the current half year.

Candy Club Holdings Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Keith Cohn
Executive Director

27 August 2021

Independent Auditor's Review Report to the Members of Candy Club Holdings Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Candy Club Holdings Limited ("the company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the half year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



HLB Mann Judd
Chartered Accountants



Jude Lau
Partner

Melbourne
27 August 2021