



25 February 2022

Lodgement of Preliminary Final Report

Candy Club Holdings Limited ("**CLB**" or "**the Company**") announces its Preliminary Final Report for the year ending 31 December 2021.

CLB has provided commentary relating to its operations in its quarterly 4C reports and there are no additional comments or disclosures relating to the operations of the Company worth noting at this time.

Please see attached Preliminary Final Report for the year ending 31 December 2021.

Authorised by the Board of Directors.

Nova Taylor
Company Secretary
(03) 8678 4091

About Candy Club

Candy Club Holdings Limited (Candy Club) is a leading specialty market confectionery company which operates a business-to-business (B2B) and business-to-customer (B2C) division in the United States of America. Broadly, confectionery encompasses sugar confectionery, chocolates and gum.

Founded in 2015 by entrepreneur Keith Cohn, Candy Club executes an omni-channel strategy with a vision to become the world's leading specialty market confectionery company.

Candy Club is headquartered in Los Angeles, California, United States.

Candy Club Holdings Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Candy Club Holdings Limited
ACN:	629 598 778
Reporting period:	For the year ended 31 December 2021
Previous period:	For the year ended 31 December 2020

2. Results for announcement to the market

			\$US
Revenues from ordinary activities	up	90.7% to	16,541,069
Loss from ordinary activities after tax attributable to the owners of Candy Club Holdings Limited	up	74.7% to	(7,921,955)
Loss for the year attributable to the owners of Candy Club Holdings Limited	up	74.7% to	(7,921,955)
		2021 Cents	2020 Cents
Basic earnings per share		(2.34)	(1.86)
Diluted earnings per share		(2.34)	(1.86)

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 \$US7,921,955 (31 December 2020: \$US4,535,042).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.41</u>	<u>0.59</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 attached financial information is being audited.

11. Attachments

Details of attachments (if any):

The Preliminary Report of Candy Club Holdings Limited for the year ended 31 December 2021 is attached.

12. Signed

Signed  _____

Keith Cohn

Date: 25 February 2022

Candy Club Holdings Limited

ACN 629 598 778

Preliminary Report - 31 December 2021

Candy Club Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

		Consolidated	
	Note	2021 \$US	2020 \$US
Revenue	2	16,540,956	8,673,772
Other income	3	-	302,434
Interest revenue calculated using the effective interest method		113	64
Expenses			
Cost of sales		(10,039,150)	(5,373,371)
Corporate and administration expenses		(1,448,514)	(1,466,327)
Marketing and promotional expenses		(6,128,990)	(2,380,205)
Employee benefits expense		(3,501,273)	(2,614,669)
Development expenses		(82,656)	(109,348)
Depreciation and amortisation expense		(169,584)	(161,699)
Technology expenses		(268,602)	(183,949)
Property expenses		(41,284)	(23,275)
Other expenses		(1,386,890)	(595,631)
Finance costs		(1,396,081)	(602,838)
Loss before income tax expense		(7,921,955)	(4,535,042)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Candy Club Holdings Limited		(7,921,955)	(4,535,042)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(141,820)	(427,305)
Other comprehensive loss for the year, net of tax		(141,820)	(427,305)
Total comprehensive loss for the year attributable to the owners of Candy Club Holdings Limited		<u>(8,063,775)</u>	<u>(4,962,347)</u>
		Cents	Cents
Basic earnings per share	13	(2.34)	(1.86)
Diluted earnings per share	13	(2.34)	(1.86)

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

Candy Club Holdings Limited
Consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 2021 \$US	2020 \$US
Assets			
Current assets			
Cash and cash equivalents		5,203,752	2,018,492
Trade and other receivables	4	1,763,019	448,667
Inventories	5	7,094,141	3,554,504
Other	7	377,376	294,360
Total current assets		<u>14,438,288</u>	<u>6,316,023</u>
Non-current assets			
Property, plant and equipment		46,967	5,286
Right-of-use assets	6	844,902	315,367
Intangibles		91,851	17,123
Other	7	47,105	29,500
Total non-current assets		<u>1,030,825</u>	<u>367,276</u>
Total assets		<u>15,469,113</u>	<u>6,683,299</u>
Liabilities			
Current liabilities			
Trade and other payables	8	2,174,793	1,838,789
Borrowings	9	2,062,292	1,385,155
Lease liabilities	10	592,804	80,400
Total current liabilities		<u>4,829,889</u>	<u>3,304,344</u>
Non-current liabilities			
Borrowings	9	5,280,634	1,412,059
Lease liabilities	10	129,826	117,695
Total non-current liabilities		<u>5,410,460</u>	<u>1,529,754</u>
Total liabilities		<u>10,240,349</u>	<u>4,834,098</u>
Net assets		<u>5,228,764</u>	<u>1,849,201</u>
Equity			
Issued capital	11	32,495,417	21,835,441
Reserves	12	(8,419,320)	(9,060,862)
Accumulated losses		(18,847,333)	(10,925,378)
Total equity		<u>5,228,764</u>	<u>1,849,201</u>

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

Candy Club Holdings Limited
Consolidated statement of changes in equity
For the year ended 31 December 2021

Consolidated	Issued capital \$US	Reserves \$US	Accumulated losses \$US	Total equity \$US
Balance at 1 January 2020	15,344,101	(10,126,314)	(6,390,336)	(1,172,549)
Loss after income tax expense for the year	-	-	(4,535,042)	(4,535,042)
Other comprehensive loss for the year, net of tax	-	(427,305)	-	(427,305)
Total comprehensive loss for the year	-	(427,305)	(4,535,042)	(4,962,347)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	6,491,340	-	-	6,491,340
Share based payments (note 12)	-	1,492,757	-	1,492,757
Balance at 31 December 2020	<u>21,835,441</u>	<u>(9,060,862)</u>	<u>(10,925,378)</u>	<u>1,849,201</u>
Consolidated	Issued capital \$US	Reserves \$US	Accumulated losses \$US	Total equity \$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 year	-	-	(7,921,955)	(7,921,955)
Other comprehensive loss for the year, net of tax	-	(141,820)	-	(141,820)
Total comprehensive loss for the year	-	(141,820)	(7,921,955)	(8,063,775)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	10,659,976	-	-	10,659,976
Share based payments (note 12)	-	783,362	-	783,362
Balance at 31 December 2021	<u>32,495,417</u>	<u>(8,419,320)</u>	<u>(18,847,333)</u>	<u>5,228,764</u>

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

Candy Club Holdings Limited
Consolidated statement of cash flows
For the year ended 31 December 2021

	Consolidated	
	2021	2020
	\$US	\$US
Cash flows from operating activities		
Receipts from customers	15,016,954	8,362,540
Payments to suppliers and employees	<u>(25,157,318)</u>	<u>(13,339,222)</u>
	(10,140,364)	(4,976,682)
Interest received	113	64
Other revenue	-	13,812
Interest and other finance costs paid	<u>(957,244)</u>	<u>(443,084)</u>
Net cash (used) in operating activities	<u>(11,097,495)</u>	<u>(5,405,890)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(53,507)	-
Payments for intangibles	<u>(100,947)</u>	<u>-</u>
Net cash (used) in investing activities	<u>(154,454)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares and options	9,252,740	4,559,244
Proceeds from borrowings	7,778,000	3,449,622
Share issue transaction costs	(421,598)	(218,517)
Repayment of borrowings	(1,857,000)	(760,497)
Repayment of lease liabilities	<u>(136,539)</u>	<u>(174,713)</u>
Net cash from financing activities	<u>14,615,603</u>	<u>6,855,139</u>
Net increase in cash and cash equivalents	3,363,654	1,449,249
Cash and cash equivalents at the beginning of the financial year	2,018,492	543,342
Effects of exchange rate changes on cash and cash equivalents	<u>(178,394)</u>	<u>25,901</u>
Cash and cash equivalents at the end of the financial year	<u><u>5,203,752</u></u>	<u><u>2,018,492</u></u>

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

Candy Club Holdings Limited
Notes to the consolidated financial statements
31 December 2021

Note 1. Significant accounting policies

This preliminary report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 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, unless otherwise stated.

Note 2. Revenue

	Consolidated	
	2021	2020
	\$US	\$US
Sales of goods	16,540,956	8,673,772

Disaggregation of revenue

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

	Consolidated	
	2021	2020
	\$US	\$US
<i>Major revenue streams</i>		
Sale of goods - business to consumer	2,070,406	2,028,337
Sale of goods - business to business	14,470,550	6,645,435
	16,540,956	8,673,772
<i>Geographical regions</i>		
United States of America	16,540,956	8,673,772
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time - being when shipped and ownership transfers	16,540,956	8,673,772

Note 3. Other income

	Consolidated	
	2021	2020
	\$US	\$US
Government COVID stimulus	-	13,812
PPP loan forgiven	-	288,622
Other income	-	302,434

Candy Club Holdings Limited
Notes to the consolidated financial statements
31 December 2021

Note 4. Trade and other receivables

	Consolidated	
	2021	2020
	\$US	\$US
<i>Current assets</i>		
Trade receivables	1,877,984	435,397
Less: Allowance for expected credit losses	(245,352)	(111,000)
	<u>1,632,632</u>	<u>324,397</u>
Other receivables	126,188	115,421
BAS receivable	4,199	8,849
	<u>1,763,019</u>	<u>448,667</u>

Note 5. Inventories

	Consolidated	
	2021	2020
	\$US	\$US
<i>Current assets</i>		
Stock on hand - at cost	7,244,106	3,946,951
Less: Provision for impairment	(149,965)	(392,447)
	<u>7,094,141</u>	<u>3,554,504</u>

The inventory has been pledged as security for the consolidated entity's borrowings.

Note 6. Right-of-use assets

	Consolidated	
	2021	2020
	\$US	\$US
<i>Non-current assets</i>		
Land and buildings - right-of-use	275,806	275,806
Less: Accumulated depreciation	(161,886)	(89,937)
	<u>113,920</u>	<u>185,869</u>
Plant and equipment - right-of-use	827,231	161,873
Less: Accumulated depreciation	(96,249)	(32,375)
	<u>730,982</u>	<u>129,498</u>
	<u>844,902</u>	<u>315,367</u>

The consolidated entity's assets have been pledged as security for the borrowings.

Candy Club Holdings Limited
Notes to the consolidated financial statements
31 December 2021

Note 7. Other

	Consolidated	
	2021	2020
	\$US	\$US
<i>Current assets</i>		
Prepayments	<u>377,376</u>	<u>294,360</u>
<i>Non-current assets</i>		
Security deposits	28,750	29,500
Other deposits	<u>18,355</u>	<u>-</u>
	<u>47,105</u>	<u>29,500</u>

Note 8. Trade and other payables

	Consolidated	
	2021	2020
	\$US	\$US
<i>Current liabilities</i>		
Trade payables	1,705,185	1,351,451
Other payables	<u>469,608</u>	<u>487,338</u>
	<u>2,174,793</u>	<u>1,838,789</u>

All trade and other payables are unsecured liabilities and recognised at amortised cost.

Note 9. Borrowings

	Consolidated	
	2021	2020
	\$US	\$US
<i>Current liabilities</i>		
Bridging finance - from director related entities	806,114	1,385,155
Loan facility	<u>1,256,178</u>	<u>-</u>
	<u>2,062,292</u>	<u>1,385,155</u>
<i>Non-current liabilities</i>		
Loan facility	<u>5,280,634</u>	<u>1,412,059</u>

The bridging finance includes a balance of \$US650,000 with interest being accrued at 1% per month. These loans may be converted into fully paid ordinary shares at the discretion of the lender.

The consolidated entity executed a debt facility in April 2021 for up to US \$7.5m of which all US\$7.5 million has been drawn down, with the most recent draw of US\$2.5m on November 12, 2021. Under the debt facility, there will be Interest only (12%) payments for twelve (12) months followed by thirty (30) months of principal and interest repayments. The debt facility ranks as first priority lien and is secured by all of the Candy Club Holding Inc's assets. The debt facility is subject to certain financial and reporting covenants.

There have been no events of defaults on the debt facility during the year ended 31 December 2021.

Total direct borrowing costs of US\$1,229,165 have been capitalized and offset against the debt balance. At 31 December 2021, the unamortized borrowing costs offsetting the debt balance totalled US\$963,188.

Candy Club Holdings Limited
Notes to the consolidated financial statements
31 December 2021

Note 10. Lease liabilities

	Consolidated	
	2021	2020
	\$US	\$US
<i>Current liabilities</i>		
Lease liability	<u>592,804</u>	<u>80,400</u>
<i>Non-current liabilities</i>		
Lease liability	<u>129,826</u>	<u>117,695</u>

Note 11. Issued capital

	2021	2020	2021	2020
	Shares	Shares	\$US	\$US
Ordinary shares - fully paid	<u>365,465,931</u>	<u>288,552,735</u>	<u>32,495,417</u>	<u>21,835,441</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$US
Balance	1 January 2020	174,911,079		15,344,101
Shares issued to settle trade payables	17 January 2020	412,500	\$US0.0450	18,487
Shares issued to KMP and employees as part of remuneration	17 January 2020	4,104,478	\$US0.0540	220,000
Issue of shares	17 January 2020	18,750,000	\$US0.0450	840,328
Shares issued on conversion of debt and accrued interest	17 January 2020	31,801,055	\$US0.0410	1,302,724
Issue of shares	17 April 2020	6,175,000	\$US0.0150	94,255
Issue of shares	24 July 2020	19,646,310	\$US0.0886	1,740,172
Issue of shares	13 August 2020	1,250,000	\$US0.0253	31,656
Shares issued to KMP as part of remuneration	13 August 2020	1,581,780	\$US0.0499	78,892
Issue of shares	1 December 2020	29,166,667	\$US0.0884	2,578,800
Exercise of options	2 December 2020	753,866	\$US0.0028	2,139
Cost of capital raising		-	\$US0.0000	(416,113)
Balance	31 December 2020	288,552,735		21,835,441
Conversion of options	9 February 2021	2,614	\$US0.0030	8
Shares issued upon conversion of debt	9 February 2021	7,102,088	\$US0.0966	685,972
Issue of shares	9 February 2021	12,500,001	\$US0.0927	1,159,050
Issue of shares	20 April 2021	34,147,727	\$US0.1702	5,813,172
Shares to be issued to settle fees in relation to US debt	13 August 2021	8,942,168	\$US0.1278	1,142,862
Issue of shares	13 August 2021	7,785,865	\$US0.1614	1,256,747
Issue of shares	24 August 2021	6,432,733	\$US0.1591	1,023,763
Cost of capital raising		-	\$US0.0000	(421,598)
Balance	31 December 2021	<u>365,465,931</u>		<u>32,495,417</u>

Candy Club Holdings Limited
Notes to the consolidated financial statements
31 December 2021

Note 12. Reserves

	Consolidated	
	2021	2020
	\$US	\$US
Foreign currency reserve	(452,673)	(310,853)
Share-based payments reserve	4,422,330	3,638,968
Commonly controlled reserve	<u>(12,388,977)</u>	<u>(12,388,977)</u>
	<u><u>(8,419,320)</u></u>	<u><u>(9,060,862)</u></u>

Note 13. Earnings per share

	Consolidated	
	2021	2020
	\$US	\$US
Loss after income tax attributable to the owners of Candy Club Holdings Limited	<u>(7,921,955)</u>	<u>(4,535,042)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>338,555,341</u>	<u>243,896,364</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>338,555,341</u>	<u>243,896,364</u>
	Cents	Cents
Basic earnings per share	(2.34)	(1.86)
Diluted earnings per share	(2.34)	(1.86)