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 2019
Previous period:	N/A

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	-	to	3,884,604
Loss from ordinary activities after tax attributable to the owners of Candy Club Holdings Limited	down	-	to	(3,448,074)
Loss for the half-year attributable to the owners of Candy Club Holdings Limited	down	-	to	(3,448,074)

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 $3,448,074 (30 June 2018: N/A).

3. Net tangible assets/ (liabilities)

	Reporting period Cents	Previous period Cents
Net tangible assets/(liabilities) per ordinary security	(0.26)	(1.25)

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.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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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.

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11. Attachments

Details of attachments (if any):

The Interim Report of Candy Club Holdings Limited for the half-year ended 30 June 2019 is attached.

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12. Signed

Signed ______________________ Date: 30 August 2019

Keith Cohn
Executive Director

Candy Club Holdings Limited

ACN 629 598 778

Interim Report - 30 June 2019

Candy Club Holdings Limited
Corporate directory
30 June 2019

Directors	Mr Keith Cohn (Executive Director) Mr Robert Hines (Non-Executive Chairperson) Mr Zachry Rosenberg (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	12950 Culver Boulevard Suite 150 Los Angeles, CA 90066, USA
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)
Website	https://www.candyclub.com
Corporate Governance Statement	https://www.candyclub.com

Candy Club Holdings Limited
Directors' report
30 June 2019

The directors present their report, together with the interim financial statements, of 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 2019.

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 Kohn
Robert Hines
Chi Kan Tang
Zachry David Rosenberg
James Baillieu (appointed 7 February 2019 and resigned 28 February 2019)

Principal activities
During the half-year the principal continuing activities of the consolidated entity consisted of:
- successfully applying for admission to the official list of the Australian Securities Exchange ("ASX") and to raise funds in order to meet its business objectives; and
- online and business to business candy distribution.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $3,448,074 (30 June 2018: N/A).

In the first half of 2019 Candy Club's primary focus has been on building its business to business segment, which it has done successfully throughout the period. Business to business revenue increased two-fold to over $760,000 in the first half of 2019 vs. the second half of 2018 when it achieved $380,000 in revenue. The Company has increased its total retail customers four-fold from 230 at 31 December 2018 to over 1,000 at 30 June 2019, has secured several prominent national retailers in 2019 and 40% of all revenue has been from repeat customers as a result of strong retail sell-thru during the period.

Having spent the first half of 2019 building momentum in the business to business segment, it feels it is well situated to take advantage of the heavy seasonality the industry as a whole experiences, when two of the biggest confectionery holidays fall, Halloween and Christmas, which typically make up over 70% of all annual sales. As such, the consolidated entity ended the 30 June period with $3,530,418 in inventory that it will begin to convert into revenue and cash flows during the upcoming peak holiday seasons.

Candy Club's other primary focus during the period has been on margin expansion and costs containment. As previously reported, recently renegotiated deals with its primary freight carrier and the acquisition of automated assembly equipment will both lead to increasing gross margins. A recently installed ERP system automating much of the consolidated entity's workflow has led to lower monthly operating expenses.

The company sees the opportunity to continue to scale the retail segment, improve margins and contain costs in order to grow the revenue and improve operating results in the business.

Significant changes in the state of affairs
On 19 February 2019, the company successfully completed its IPO, and was officially admitted onto the Australian Securities Exchange. Under its IPO, the company issued 25,120,020 fully paid ordinary raising $5,024,004 before costs.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

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.

Candy Club Holdings Limited
Directors' report
30 June 2019

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

30 August 2019

HLB MANN JUDD

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the half-year financial report of Candy Club Holdings Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Candy Club Holdings Limited and the entities it controlled during the period.

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
30 August 2019

Candy Club Holdings Limited
Contents
30 June 2019

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 Australian 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	**Principal place of business**
C/- Moray & Agnew Lawyers	12950 Culver Boulevard
Level 6, 505 Little Collins Street	Suite 150
Melbourne VIC 3000, Australia	Los Angeles, CA 90066, USA

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 30 August 2019.

Candy Club Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2019

	Note	Consolidated June 2019 $	Jun 2018 $
Revenue	4	3,884,604	-
Interest revenue calculated using the effective interest method		175	-
Expenses			
Raw materials and consumables used		(2,920,611)	-
Corporate and administration expenses		(433,215)	-
Marketing and promotional expenses		(993,982)	-
Employee benefits expense		(2,003,863)	-
Development expenses		(131,934)	-
Depreciation and amortisation expense		(23,516)	-
Technology expenses		(137,589)	-
Property expenses		(66,153)	-
Depreciation on right of use assets		(108,680)	-
Interest on leases		(37,028)	-
Other expenses		(378,018)	-
Finance costs		(98,264)	-
Loss before income tax expense		(3,448,074)	-
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Candy Club Holdings Limited		(3,448,074)	-
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		48,652	-
Other comprehensive income for the half-year, net of tax		48,652	-
Total comprehensive income for the half-year attributable to the owners of Candy Club Holdings Limited		(3,399,422)	-
		Cents	**Cents**
Basic earnings per share	16	(2.65)	-
Diluted earnings per share	16	(2.65)	-

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 2019

	Note	Consolidated Jun 2019 $	Consolidated Dec 2018 $
Assets			
Current assets			
Cash and cash equivalents		18,540	12,496
Trade and other receivables		229,730	172,466
Inventories		3,530,418	2,449,498
Other	5	245,549	845,005
Total current assets		4,024,237	3,479,465
Non-current assets			
Property, plant and equipment		51,809	65,049
Right-of-use assets	6	893,644	-
Intangibles		4,105	7,300
Other		147,466	75,684
Total non-current assets		1,097,024	148,033
Total assets		5,121,261	3,627,498
Liabilities			
Current liabilities			
Trade and other payables	7	3,271,007	4,199,303
Contract liabilities		-	174,551
Borrowings	8	1,194,832	578,067
Lease liabilities	9	206,960	-
Total current liabilities		4,672,799	4,951,921
Non-current liabilities			
Lease liabilities	10	803,113	-
Total non-current liabilities		803,113	-
Total liabilities		5,475,912	4,951,921
Net liabilities		(354,651)	(1,324,423)
Equity			
Issued capital	11	19,976,352	16,132,144
Reserves	12	(15,565,516)	(16,158,477)
Accumulated losses		(4,765,487)	(1,298,090)
Total deficiency in equity		(354,651)	(1,324,423)

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 2019

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 January 2019	16,132,144	(16,158,477)	(1,298,090)	(1,324,423)
Impact of adoption of AASB 16 - restated balance at 1 January 2019	-	-	(19,323)	(19,323)
Balance at 1 January 2019 - restated	16,132,144	(16,158,477)	(1,317,413)	(1,343,746)
Loss after income tax expense for the half-year	-	-	(3,448,074)	(3,448,074)
Other comprehensive income for the half-year, net of tax	-	48,652	-	48,652
Total comprehensive income for the half-year	-	48,652	(3,448,074)	(3,399,422)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 11)	3,844,208	-	-	3,844,208
Share-based payments	-	544,309	-	544,309
Balance at 30 June 2019	19,976,352	(15,565,516)	(4,765,487)	(354,651)

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 2019

	Note	Consolidated June 2019 $	Jun 2018 $
Cash flows from operating activities			
Receipts from customers		3,652,789	-
Payments to suppliers and employees		(8,620,754)	-
		(4,967,965)	-
Interest received		175	-
Interest and other finance costs paid		(135,754)	-
Net cash (used) in operating activities		(5,103,544)	-
Cash flows from investing activities			
Payments for property, plant and equipment		(7,081)	-
Payments for deposits on property, plant and equipment		(71,782)	-
Net cash (used) in investing activities		(78,863)	-
Cash flows from financing activities			
Proceeds from issue of shares	11	5,024,004	-
Proceeds from borrowings		1,634,534	-
Share issue transaction costs		(417,996)	-
Repayment of borrowings		(922,500)	-
Repayment of lease liabilities		(130,457)	-
Net cash from financing activities		5,187,585	-
Net increase in cash and cash equivalents		5,178	-
Cash and cash equivalents at the beginning of the financial half-year		12,496	-
Effects of exchange rate changes on cash and cash equivalents		866	-
Cash and cash equivalents at the end of the financial half-year		18,540	-

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 2019 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 2018 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, except for the policies stated below.

Comparative Information
The company was incorporated on 24 October 2018, and for that reason there is no comparative information in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows.

Leases
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, the consolidated entity's 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.

Right-of-use assets
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 the company 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.

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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Note 1. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
The consolidated entity has adopted AASB 16: Leases retrospectively from 1 January 2019. In accordance with AASB 16.C7 the comparatives for the 2018 reporting period have not been restated.

The consolidated entity has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under AASB 117: Leases where the consolidated entity is the lessee.

There has been no significant change from prior year treatment for leases where the consolidated entity is a lessor.

Lease liabilities are shown at the present value of the remaining lease payments. The consolidated entity's incremental borrowing rate of 7% as at 1 January 2019 has been used to discount the lease payments.

The right-of-use assets which the consolidated entity entered into as a lessee in respect of its office premises was measured at its carrying amount as if AASB 16: Leases had been applied since the commencement date, but discounted using the consolidated entity's weighted average incremental borrowing rate on 1 January 2019.

The right-of-use assets for the remaining leases have been measured and recognised in the statement of financial position as at 31 December 2018 by taking into consideration the lease liability and the deferred rental (that are related to the lease).

The following practical expedients have been used by the consolidated entity in applying AASB 16 for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same was as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- Applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The difference between the undiscounted amount of operating lease commitments at 31 December 2018 of $1,268,252 and the discounted operating lease commitments as at 1 January 2019 of $1,093,168 was $175,084 which is due to discounting the operating lease commitments at the consolidated entity's incremental borrowing rate.

The right of use asset relates solely to the leased office premises occupied by the consolidated in the US as disclosed in note 6.

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 $3,448,074 for the half year ended 30 June 2019, and had a net working capital deficiency of $648,562. In addition, the consolidated entity had negative cash from operating activities of $5,103,544.

Note 1. Significant accounting policies (continued)

The directors have reviewed the cashflow forecasts and believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern due to the following factors:

- Under it current rights issue the company has raised $1,369,107 before costs. Of this amount $433,956 was received before 30 June 2019 and recognised as bridging finance in statement of financial position;
- The company is in the process of filling the $2,339.995 shortfall available from the rights issue via a roadshow throughout Australia to current and prospective investors. The company has received indications of interest from several larger existing shareholders who have not yet participated in the rights issue;
- The company has a signed term sheet on a debt deal that would augment working capital. The company could also pursue a convertible note structure if the above mentioned financing options don't come to fruition;
- The company has built its inventory to $3,530,418 at 30 June 2019 in preparation for increased expected sales during the second half of the year in the United States;
- The company has lowered shipping and assembly costs which will result in higher profit margins going forward;
- The company has ability to further cut costs if required.

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.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company not continue as a going concern.

Note 2. Listing on Australian Securities Exchange

On 19 February 2019, the company successfully completed its IPO, and was officially admitted onto the Australian Securities Exchange. Under its IPO, the company issued 25,120,020 fully paid ordinary raising $5,024,004 before costs.

Note 3. Operating segments

Identification of reportable operating segments
The group operates the business of selling candies. Over the past 9 months, the group commenced its B2B business and currently manages this 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 period ended 30 June 2019.

Note 4. Revenue

	Consolidated	
	June 2019 $	Jun 2018 $
Sales of goods	3,884,604	-

Note 4. Revenue (continued)

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

	Consolidated June 2019 $	Consolidated Jun 2018 $
Revenue streams		
Business to customer	3,134,050	-
Business to business	750,554	-
	3,884,604	-
Geographical regions		
United States of America	3,884,604	-
Timing of revenue recognition		
Goods transferred at a point in time	3,884,604	-

Note 5. Current assets - other

	Consolidated Jun 2019 $	Consolidated Dec 2018 $
Prepayments	245,549	83,205
Prepaid IPO costs	-	761,800
	245,549	845,005

The company completed its IPO on 19 February 2019. As a result the prepaid costs at 31 December 2018, have now been recognised as cost of capital raised during the current period.

Note 6. Non-current assets - right-of-use assets

	Consolidated Jun 2019 $	Consolidated Dec 2018 $
Leased buildings - right-of-use	1,002,324	-
Less: Accumulated depreciation	(108,680)	-
	893,644	-

Note 6. Non-current assets - right-of-use assets (continued)

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

Consolidated	Right-of-use assets $	Total $
Balance at 1 January 2019	-	-
Recognised on adoption of AASB 16	1,002,324	1,002,324
Depreciation expense	(108,680)	(108,680)
Balance at 30 June 2019	893,644	893,644

Note 7. Current liabilities - trade and other payables

	Consolidated Jun 2019 $	Consolidated Dec 2018 $
Trade payables	2,521,105	2,826,440
Interest payable	-	9,470
Other payables	749,902	1,363,393
	3,271,007	4,199,303

All trade and other payables are unsecured.

Note 8. Current liabilities - borrowings

	Consolidated Jun 2019 $	Consolidated Dec 2018 $
Loan - bridging finance (unsecured)	366,900	578,067
Loan - credit facility (secured)	813,650	-
Insurance premium finance (unsecured)	14,282	-
	1,194,832	578,067

CircleUp provided a revolving line of credit to Candy Club based on the company's Direct-To-Consumer (DTC) cash flows. An initial Maximum Facility Amount of US$1,000,000 was approved, and CircleUp will seek to re-evaluate the maximum credit limit on demand as Candy Club grows. Initial availability was US$700,000 based on DTC sales. Interest accrues daily as simple interest (non-compounding) on the principal balance outstanding at a rate of Prime + 5%. During the 6 months ended 30 June 2019, Candy Club paid interest of US$13,800 and has an outstanding principle balance of US$600,613 as of 30 June 2019.

The bridging finance is due for repayment within 5 days of the company completing a successful fund raising event. Interest is payable at 10% accrued daily. This loan was converted to issued capital on 5 August 2019 as part of the company's rights issue. Options with a fair value of $82,076 which were issued as part of the loan have been offset against the value of the bridging finance.

Note 9. Current liabilities - lease liabilities

	Consolidated	
	Jun 2019 $	Dec 2018 $
Lease liability	206,960	-

The consolidated entity has adopted AASB 16 Leases during the current period, meaning that a lease liability is now being recognised in relation its operating lease in the United States. The interest expense in relation to the lease liability was $37,028 and is disclosed as part of the finance costs. The cash outflow in relation to the lease liability was $130,457.

Note 10. Non-current liabilities - lease liabilities

	Consolidated	
	Jun 2019 $	Dec 2018 $
Lease liability	803,113	-

The consolidated entity has adopted AASB 16 Leases during the current period, meaning that a lease liability is now being recognised in relation its operating lease in the United States.

Note 11. Equity - issued capital

	Consolidated			
	Jun 2019 Shares	Dec 2018 Shares	Jun 2019 $	Dec 2018 $
Ordinary shares - fully paid	139,090,731	106,726,399	19,976,352	16,132,144

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2019	106,726,399		16,132,144
IPO shares	19 February 2019	25,120,020	$0.20	5,024,004
Shares issued to lead manager	19 February 2019	7,244,312	$0.20	1,448,862
Cost of capital raised		-	$0.00	(2,628,658)
Balance	30 June 2019	139,090,731		19,976,352

Note 12. Equity - reserves

	Consolidated	
	Jun 2019 $	Dec 2018 $
Foreign currency reserve	(38,470)	(87,122)
Share-based payments reserve	1,670,931	1,126,622
Commonly controlled reserve	(17,197,977)	(17,197,977)
	(15,565,516)	(16,158,477)

Note 12. Equity - reserves (continued)

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

Consolidated	Foreign currency $	Share-based payments $	Commonly controlled $	Total $
Balance at 1 January 2019	(87,122)	1,126,622	(17,197,977)	(16,158,477)
Foreign currency translation	48,652	-	-	48,652
Share-based payments	-	544,309	-	544,309
Balance at 30 June 2019	(38,470)	1,670,931	(17,197,977)	(15,565,516)

Note 13. Equity - dividends

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

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 2019 $	Jun 2018 $
Payment for other expenses:		
Interest accrued to key management personnel and their related entities. Interest has been charged at 10 % per annum (accruing daily)	15,011	-

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

	Consolidated	
	Jun 2019 $	Dec 2018 $
Current payables:		
Other payables to key management personnel	526,546	574,703
Interest payable to key management personnel and their related entities	-	9,470

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

	Consolidated	
	Jun 2019 $	Dec 2018 $
Current borrowings:		
Loan from key management personnel and their related entities	433,964	578,067

Note 14. Related party transactions (continued)

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

Note 15. Events after the reporting period

Since 30 June 2019 the company issued fully paid ordinary shares 14,637,688 raising $1,171,015 before costs. Of this amount $433,956 was received before 30 June 2019 and recognised as bridging finance in statement of financial position.

In addition the company has issued 14,637,688 options over ordinary shares expiring on 31 May 2023 with an exercise price of 10 cents. The fair value of the options is $486,241, of which $82,076 has already been recognised at 30 June 2019.

In addition the company has received applications for a further 3,685,504 fully paid ordinary shares and options.

No other matter or circumstance has arisen since 30 June 2019 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.

Note 16. Earnings per share

	Consolidated	
	June 2019 $	Jun 2018 $
Loss after income tax attributable to the owners of Candy Club Holdings Limited	(3,448,074)	-
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	130,021,805	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	130,021,805	-
	Cents	**Cents**
Basic earnings per share	(2.65)	-
Diluted earnings per share	(2.65)	-

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. The increased revenue will lead to reduced loss before income tax period during the second half of the year.

Candy Club Holdings Limited
Directors' declaration
30 June 2019

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 2019 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, based on the factors outlined in Note 1 Going Concern of the financial statements.

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

30 August 2019

HLB MANN JUDD

Independent auditor's review report to the members of Candy Club Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying 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 2019, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Candy Club Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 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*.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1 Going Concern, in the financial report, which indicates that the Group incurred a net loss after tax of $3,448,074 during the period ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by $648,562 and had a net deficiency of assets over liabilities by $354,651 (a deficiency of $1,324,423 as at 31 December 2018). As stated in Note 1 Going Concern, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, 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 30 June 2019 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*. As the auditor of the

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Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
30 August 2019