



# Crowd-sourced Funding Offer Document

Dated 7 November 2019



Offer of fully-paid ordinary shares in Australian Chocolate Pty Ltd at \$1.50 per share to raise a maximum of \$600,000

This crowd-sourced funding (CSF) offer document relates to the Offer of fully-paid ordinary shares in Australian Chocolate Pty Ltd. This Offer is made under the CSF regime in Part 6D.3A of the Corporations Act 2001 (Corporations Act).

## Issuer

Australian Chocolate Pty Ltd ACN 164 359 808

## Intermediary

Birchal Financial Services Pty Ltd AFSL 502 618



# Discover Charley's Multi-Award Winning Tree to Bar Chocolate

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**"We grow Cocoa  
in Australia, make  
award winning  
Chocolate and  
sell to a diverse  
Customer base."**

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## SECTION 1

# General Risk warning

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Crowd-sourced funding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment, and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.



## SECTION 2

# Information about Charley's

## 2.1 Company details

This offer of shares is made by Australian Chocolate Pty Ltd ACN 164 359 808 (the Company). The Company was incorporated on 19 June 2013

### Registered office and contact details

BDO Australia  
Cairns Corporate Tower  
Level 1/ 15 Lake St,  
Cairns City QLD 4870

### Principal place of business

388 Cassowary Dve  
Mission Beach  
Queensland 4852



<sup>1</sup> [http://www.worldvision.com.au/docs/default-source/buy-ethical-fact-sheets/chocolate-scorecard\\_feb2015.pdf?sfvrsn=2](http://www.worldvision.com.au/docs/default-source/buy-ethical-fact-sheets/chocolate-scorecard_feb2015.pdf?sfvrsn=2)

<sup>2</sup> <https://www.washingtonpost.com/graphics/2019/business/hershey-nestle-mars-chocolate-child-labor-west-africa/>



## 2.2 Description of the business

### 2.2.1 Letter from Founders – Chris and Lynn Jahnke

Thank you for taking the time to look at this opportunity to become a shareholder in Australian Chocolate Pty Ltd (Charley's).

In 2012 we had the vision to establish a commercial cocoa growing, chocolate manufacturing and tourism business in the favourable climatic area (for cocoa growing) of Mission Beach, Far North Queensland.

From planting cocoa seeds in 2013 we harvested our first Mt Edna cocoa pods in 2014.

From 2016 we went on the reputation-building trail; successfully winning awards as well as securing a 'gold category' award on Trip Adviser for the Charley's Chocolate factory tours.

We received awards whenever we exhibited at shows, including the trophy for the best chocolate bar at the 2016 Australian Fine Food Awards, Melbourne. In October 2017, Charleys Mt Edna was awarded a **Cocoa of Excellence 2017 Award**, (the world's cocoa "Olympics") in Paris. **Charley's made it onto the world stage!**

All this was done from a rented commercial kitchen with small scale equipment. In early 2018 we moved our chocolate manufacturing to a purpose designed, on premise MMU (modular manufacturing unit).

Today, Charley's is seeking funds to further expand and we are now offering retail investors the opportunity to take up shares. In this way, Charley's can become an established broadly based consumer brand with you, its shareholders, as ambassadors.

Cocoa growing around the world has a range of labour and agricultural issues. Exploitation is rife and the plantation quality is poor. Since 2008, World Vision

has been calling on the global chocolate industry to guarantee farmers a fair price for their cocoa and eliminate forced, child and trafficked labour from cocoa production.<sup>1</sup> Mars, Nestle and Hershey, among the largest manufacturers of chocolate products in the world, pledged nearly 20 years ago to stop using cocoa harvested by children, yet much of the chocolate consumers still buy starts with child labour.<sup>2</sup>

Charley's has established an ethical and sustainable industry in Far North Queensland. With its labour-saving equipment and innovation, it is a manufacturing hub for local farmers seeking to diversify their crops. Australian farmers need your support.

We are making great progress with our premium chocolate offerings and an unforgettable tourism experience. Charley's is a business with strong growth prospects in an attractive industry. We encourage you to become a shareholder, a consumer and an ambassador.

### Share our excitement

– Lynn and Chris Jahnke



### 2.2.2 The Charley's story

**“We grow Cocoa in Australia, make award winning Chocolate and sell to a diverse Customer base.”**

Charley's, located in Far North Queensland (FNQ), grows and manufactures premium 'Tree-to-Bar' Chocolate.

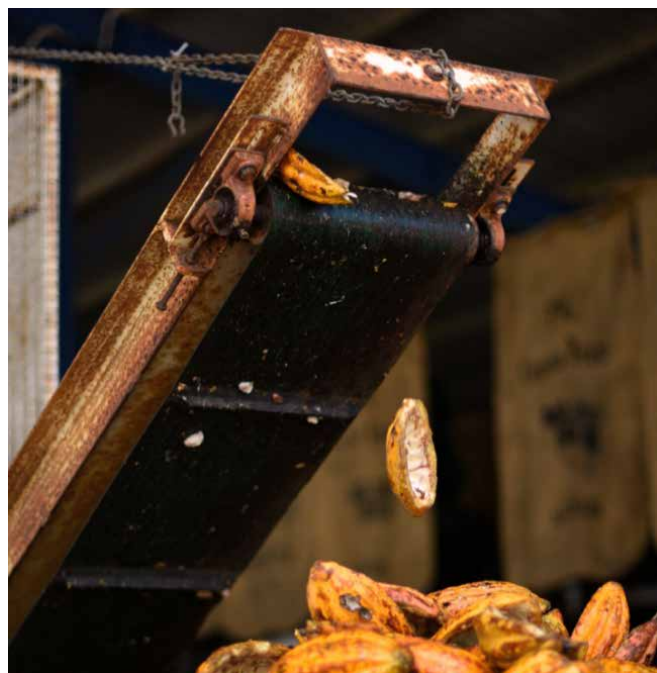
Charley's is pioneering cocoa growing and chocolate manufacturing as a viable, alternative industry in FNQ, which we believe will; provide benefits to Australian consumers, local farmers and Charley's shareholders.

Charley's produces cocoa beans and chocolate products from its plantations and production facilities located in Mt Edna and Maria Creek.

Charley's has long term leases on the Mt Edna and Maria Creek sites, and an option to purchase the Maria Creek site (details provided below).



Cocoa pods ready for harvest



Labour saving Pod Splitting equipment

### 2.2.3 Our Assets

The assets of the Company are comprised of:

- Trellised cocoa plantations located at Mt Edna and Maria Creek Queensland.
- Buildings - including a cyclone standard manufacturing unit for chocolate manufacturing, storage shed and shade houses
- Chocolate making equipment – including Aura tempering machine, FBM temperer, Conches, Bean Cracker, Dehumidifier and Refrigerators
- Agricultural equipment – tractors with attachments (spraying and hedging), Merlin toilet, Pod Splitter, Cocoa Roasters, Winnowing Machine, storage facilities
- Intellectual property – ownership of trademarks, copyright in commissioned works, manuals & procedures, proprietary recipes, horticultural regimes etc.
- Land - leasehold interests over properties in Mt Edna and Maria Creek where Charley's plantations and manufacturing facilities are located (15 years). The Company also has an option to purchase the Maria Creek site at agreed valuation.

A detailed asset list is part of the full financial statements. Capital expenditure in 2018-19 and 2019-20 came from cash flow and investor contributions.



### 2.2.4 Process and Products

From its trellised cocoa plantations at Mt Edna and Maria Creek, Charley's makes single-origin 70% dark chocolate, single-origin milk chocolate and a range of products with unique FNQ 'additions', including Davidsons Plum (an Australian native fruit), Beach Coconut and Tropical Pineapple.

More tropical additions in development.

From its commercial chocolate manufacturing facility on-site, Charley's is pioneering the production of "Tree-to-bar" chocolate in FNQ by manufacturing chocolate products from cocoa beans grown on its own plantations.



Conche that grinds cocoa nibs to below 20 micron



## Chocolate to mould



## Charley's chocolate

### 2.2.5 Industry overview

### Chocolate and confectionary manufacturing in Australia <sup>3</sup>

IbisWorld reports that the Chocolate and Confectionary Manufacturing industry in Australia, accounting for approximately \$6.3bn in revenue annually, has faced a range of changing consumer preferences over the past 5 years. Consumers have increasingly opted for healthier, premium and more sustainable industry products, and are willing to pay a premium for chocolate and confectionary that fits into these categories. This trend has supported industry revenue growth over the past five years and benefited companies that produce premium products. Additionally, changing consumer tastes and trends have encouraged small-scale manufacturers to enter the industry. Conversely, several companies that mass-

<sup>3</sup> IBISWorld Industry Report C1182: Chocolate and Confectionery Manufacturing in Australia (April 2019).

produce industry products have lost market share due to falling demand over the past five years.

IbisWorld considers that health consciousness is anticipated to rise, and ongoing consumer demand for premium chocolates and confectionery is projected to support industry growth (forecast to increase at an annualised 1.5% over the five years through 2023-24, to be worth \$6.7bn).

IbisWorld expects that industry concentration is anticipated to decrease over the period, as new niche operators enter to benefit from these changing consumer preferences.

### **Changing consumer tastes <sup>4</sup>**

Consumer preferences have increasingly favoured premium and healthier products over traditional chocolate and confectionery over the past five years.

Campaigns promoting the importance of health and nutrition, coupled with rising concerns relating to obesity, have weakened demand for industry products that are high in sugar or fat. In response to these concerns, industry operators have extended their product ranges to include healthier options, such as dark chocolate and sugar-free gum.

Consequently, dark chocolate products have grown as a proportion of industry revenue over the past five years, with consumers becoming increasingly aware of the health benefits of the antioxidants in cocoa.

Consumers have also become increasingly averse to processed foods over the past five years, fuelling demand for industry products that contain raw or natural ingredients. Products in these categories often contain fruit, nuts and raw cocoa. Consumers tend to understand that the health benefits of these products often incur a higher price. As a result, consumers are generally more willing to pay a premium for these products.

Growing concerns regarding global cocoa supply are affecting the industry due to fears that demand for cocoa will outweigh supply over the next five years.

As a result, industry operators are increasingly working with suppliers that practise sustainable cocoa farming. In addition, more operators are working with suppliers that are registered under the fair-trade logo or purchasing all raw materials from a single source. Products that fall under these categories usually include a backstory about sourcing on the product and are generally seen as an ethical and sustainable way to purchase industry products. Consumers are generally more willing to pay a premium for products that have an interesting narrative and ethical backstory.

### **Cocoa production in Australia**

Agrifutures Australia has reported on Australia's new cocoa industry highlighting the potential that lies in development of an "origin" based boutique chocolate industry and tourism opportunities such as "bean to bar". Although only 15 – 20 hectares are currently under production, Agrifutures Australia considers there is potential for an industry to encompass 1,000 hectares, producing up to 3,000 tonnes of dried cocoa bean annually. <sup>5</sup>

#### **2.2.6 Our strategy**

Our business incorporates four interdependent business divisions, each of which supports the success of the whole:

- 1. primary production of cocoa**
- 2. manufacturing of chocolate**
- 3. innovative marketing, and**
- 4. an integrated tourism experience**

These produce 3 revenue streams:

- 1. Wholesale sales**
- 2. Retail and online sales**
- 3. Tourism experience at Mission Beach.**

Our unique selling point is Premium Quality Australian Chocolate and unique tropical ingredients. We plan to expand the business by increasing sales which will require the increased manufacture of chocolate and associated products.

We are cash flow positive and expect to be profitable in the medium term. In the next 1-3 years we plan to increase production, increase our customer base and launch new offerings.

<sup>4</sup> IBISWorld Industry Report C1182: Chocolate and Confectionery Manufacturing in Australia (April 2019).

<sup>5</sup> <https://www.agrifutures.com.au/farm-diversity/cocoa/>



## Our competitive advantages

Agribusiness is our differentiator. With approx 4,000 cocoa trees planted (2000 of which are fruiting trees nearing maturity) and a further 2,000 in the tree nurseries, we are ready for growth. Cocoa trees start producing fruit at about 2 years of age when planted in accord with our trellising system. This gives a distinct advance compared with orchards of standalone trees.

Our manufacturing plant follows the “Bean-to-Bar” model for making chocolate, which is a well-established, worldwide phenomenon that is changing the consumption habits in the chocolate market.

Food tourism is one of the key growth strategies of the country’s peak tourism body, Tourism Australia. Chocolate is arguably one of the most desired foods in the world. Yet, despite annual worldwide sales of over US\$100bn<sup>6</sup>, few people know about how it’s made, much less how it’s grown. Charley’s aims to help its customers bridge this gap with its popular Chocolate Tours.

## Sales channels

The distribution strategy for Retail and Wholesale sales is based on the Charley’s brand of Premium Chocolate. Current product offerings are: Single Origin Dark Chocolate (70% cocoa) and the PLUS Range with inclusions such as Davidson’s Plum, Macadamia Praline and Salted Caramel.

Currently our major source of revenue is to our network of wholesale customers which include;

- specialist premium food retailers,
- larger retail outlets and tourism operators,
- hotels and resorts.

We plan to expand our sales Australia-wide. We intend to increase the marketing effort in retail using some of the proceeds of this capital raise.



**Charley’s Chocolate Tour** has proven to be a success since commencing in June 2014. We welcomed over 5000 visitors from Australia and most parts of the world in 2018/19. The rave reviews from guests earned us the Tripadvisor Certificate of Excellence in 2016, 2017 and 2018.

The chocolate range is sold direct to consumers via [www.charleys.com.au](http://www.charleys.com.au), through Facebook and to visitors on the Charley’s Chocolate Factory Tour.

**We have a business model that is unique in Australia ‘tree-to-bar’.**



<sup>6</sup> <https://www.globenewswire.com/news-release/2018/10/22/1624439/0/en/Global-Chocolate-Market-Expected-to-Reach-USD-161-56-Billion-By-2024-Zion-Market-Research.html>

## 2.2.7 Key Achievements – Chronology

- 2012** Lynn & Chris Jahnke “discover” chocolate and learn that cocoa can be grown in Australia. Business plan for a vertically integrated business is developed and the first cocoa seeds are ordered from PNG.
- 2013** First 1,000 seeds are planted out at the Mt Edna Plantation. Chris and Lynn hope they become cocoa trees. Investor Information sessions held with first investors committing. Charley’s website [www.charleys.com.au](http://www.charleys.com.au) launched.
- 2014** First cocoa pods (fruit) appear at Mt Edna. Chocolate manufacturing begins. Charley’s Chocolate Tours begin. The first Mt Edna cocoa pods are harvested.

### Charley’s builds its reputation for premium Australian chocolate

- 2015** Production of the PLUS range of chocolate commences. Three Chocolate tours per week begun. Chocolate production established in larger commercially licensed premises.
- 2016** Two gold, one silver and overall trophy for best chocolate bar at the Australian Fine Food Awards, Melbourne.
- 2017** One gold, two silver and one bronze at the Australian Fine Food Awards. October In Paris, Charleys Mt Edna is awarded a Cocoa of Excellence 2017 Award (the world’s cocoa “Olympics”).

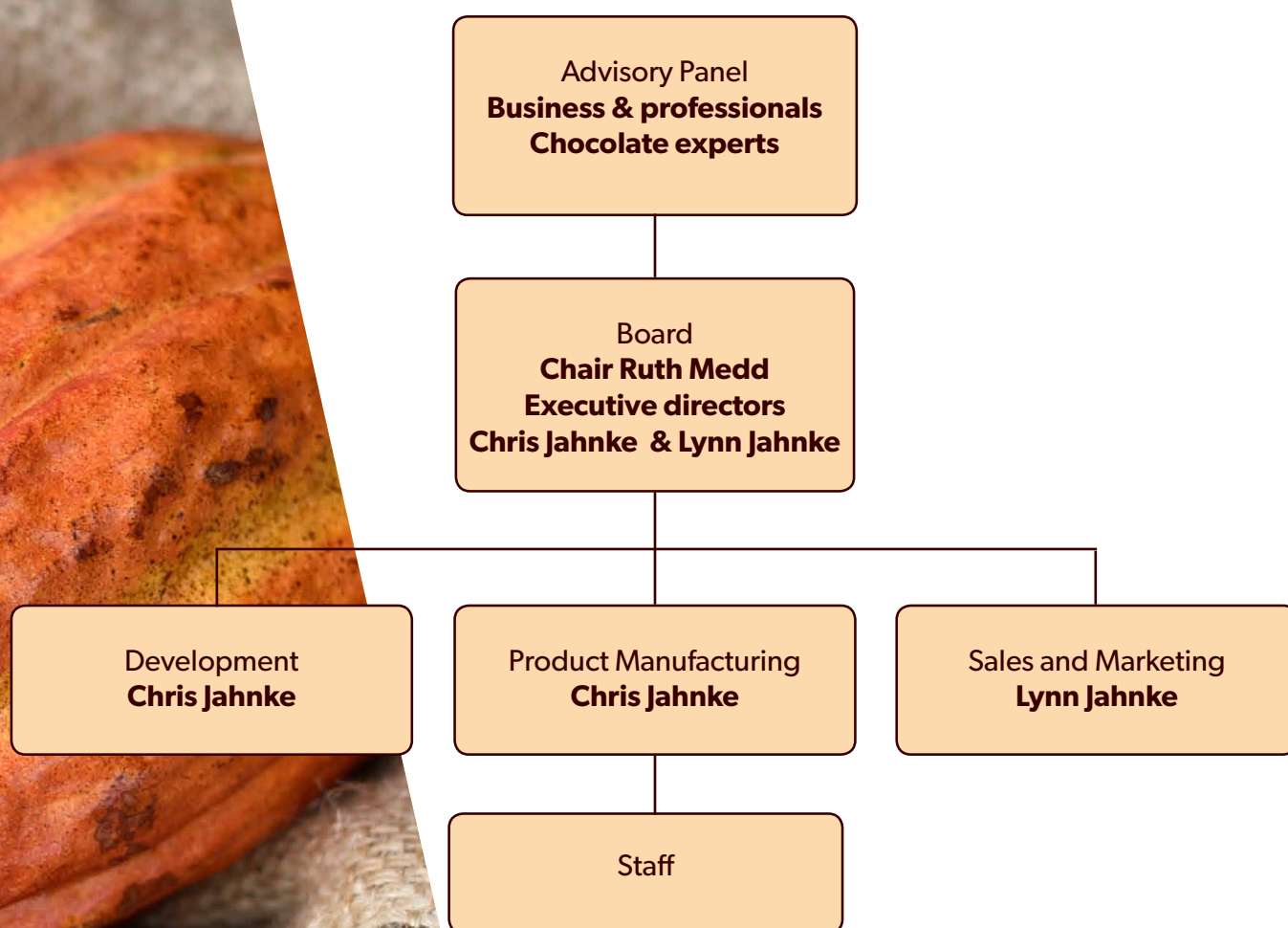
### Charley’s moves to commercial production at Mt Edna

- 2018** Stage 2 Manufacturing Unit officially opened. Production reaches 1000 bars per week. Delivery of additional equipment to take production to 2000 bars per week. Milk Chocolate launched in December 2018.
- 2019** Queensland Government “Jobs and Regional Growth Fund” financial assistance agreement meets conditions precedent.





## 2.3 What does our organisation look like?



### Key personnel

Lynn Jahnke – Joint MD – marketing, customer acquisition and product development

Chris Jahnke – Joint MD – manufacturing, business development and administration

Ruth Medd, chair - as an early investor Ruth joined the board as an experienced non-executive director and chair in September 2017.

### Staff

The Company has a small number of motivated and loyal staff in the areas of plantation/ tree management, tours and chocolate production.

## 2.4 Capital structure

### 2.4.1 Issued capital

As at the date of this CSF offer document, the Company has 2,383,006 shares on issue. As set out in Table 1 below, the shares are held by the two founders and other shareholders.

Table 1: Issued capital of the Company before the Offer

Shareholder	Share Type	Shares	Options
Foundation shareholders Jahnke, Lynn Christine <a/c the Charleys Trust >	ORD	1,700,000	Nil
Current other shareholders	ORD	683,006	Nil
<b>Total</b>	<b>N/A</b>	<b>2,383,006</b>	<b>Nil</b>

Table 2: Issued capital of the Company following the Offer

Shares	Minimum Subscription	Maximum Subscription
Existing shares	2,383,006 (92%)	2,383,006 (80%)
Offer shares	100,000 (4%)	400,000 (17%)
<b>Total shares on issue (undiluted basis)*</b>	<b>2,483,006</b>	<b>2,783,006</b>

#### Rights associated with shares

Shares have voting rights, right to any dividends and the right to sell the shares. Shareholders' rights to sell or transfer their shares are subject to the Company's constitution.

### 2.4.2 Debt funding and other sources of funding

#### Director loans

To date, our activities have been funded by the Company's shareholders and cash flow. The Company has loans of \$6,541 outstanding to the the Company's founders.

#### Government grants

The Company has a Jobs and Regional Growth Fund Assistance Agreement with the State of Queensland, acting through the Department of State Development, Manufacturing, Infrastructure and Planning.

The Assistance Agreement is in the form of a Project Capital Expenditure Reimbursement package to the amount up to \$305,000 (excluding GST) and runs to 31 March 2022.



## 2.5 Directors, managers and advisers

### 2.5.1 Executive and Non Executive Directors



#### **Lynn Jahnke, Director**

Before establishing Essential Additions in Melbourne, Lynn spent 19 years in senior retail management roles with Myer in Australia and Marks & Spencer in the UK. Lynn has been

recognised as an industry expert having been invited to judge national cocoa/chocolate competitions in the South Pacific region. Product development is one of her key strengths.

- Plantation management - Mt Edna
- Tourism
- Marketing / Sales – customer acquisition and management
- Communications / media / PR /advertising



#### **Chris Jahnke, Director**

Chris has a background in real estate and transport marketing as well as extensive experience in the food service industry. He is a skilled business administrator and

experienced project manager. Chris has acquired many new skills and become an expert in the complex area of chocolate making. He is responsible for:

- Business management and planning
- Business management of business on a day to day basis – financials, people
- Contract negotiations
- Project management of capital works
- Chocolate manufacturing, health & safety, HACCP
- Website management and online marketing

Both Chris and Lynn are active in the FNQ business community and tourism bodies.



#### **Ruth Medd, chair**

Ruth is one of the early investors and joined the board as a non-executive director in September 2017.

Ruth is an experienced non-executive director and board chair in the finance, investment and children's services sectors. Ruth is experienced with early stage companies and holds formal qualifications in accounting (FCPA) and information technology, and is a member of the Australian Institute of Company Directors.

Ruth brings a wealth of governance expertise to the board as well as her startup experiences.

### 2.5.2 Advisory Panel

The Company also has a panel of advisors that it calls of for advice and assistance from time to time.

#### **David Herlihy, Chair of Advisory Panel**

David has had a distinguished executive career including a number of senior roles at Capel Court Corporation Limited.

In his capacity as chairman and director of various entities, David has overseen a broad range of matters including governance, funding, acquisitions and strategy. David is currently a director of a number of companies and was previously a director of Godfrey Hirst Australia and various Paul Ramsay Group entities.

David has also been deputy chairman of agri business company Craig Mostyn Holdings and chairman of the State Transit Authority of NSW and Sydney Ferries. David's ASX experience includes chairman of Smiles Inclusive Ltd, Mosaic Oil NL, Pro Pac Packaging Ltd and Fraser Range Holdings Ltd. David holds a Bachelor of Arts (UNSW) and is a Fellow of the Australian Institute of Company Directors.

#### **Dr Thomas Avery, member Advisory Panel**

Thomas has been involved with the Australian chocolate industry for 10 years, with a focus on fine-tuning fermentation practices. He has conducted consulting projects in Australia and the broader pacific region.

**Rick Byrne, member Advisory Panel**

Rick's knowledge of the Australian confectionery industry is drawn from 26 years' experience in a broad range of roles and responsibilities.

**Pete Faulkner, member Advisory Panel**

Pete is the co-owner of Conus Business Consulting Services and is a recognised expert in regional economic data analysis and strategic planning, business modelling and organisation leadership. Pete was key to the establishment of the peak business group, Cassowary Coast Economic Development Inc. Pete is a shareholder with Australian Chocolate.

**Rona Morgan, member Advisory Panel**

Rona is an experienced International Banker, Risk and Governance specialist. She has spearheaded the development of regulatory approaches for capital and risk appetite in major banks in SE Asia and Australia. She is certified in Corporate Governance - INSEAD (IDP-C).

**Duffy Sheardown, member Advisory Panel**

Duffy founded Red Star Chocolate after listening to BBC radio which reported that only Cadbury actually made British chocolate directly from the raw cacao bean. Duffy provides valuable advice to Australian Chocolate.

**Fred Schilling, member Advisory Panel**

Fred was a registered patent and trade mark attorney from 1979 to 2013. In this time, he was an equity partner at the leading independent intellectual property firm, FB Rice & Co, and subsequently a consultant at another of Australia's intellectual property firms, Davies Collison Cave. Fred is a shareholder with Australian Chocolate.





## 2.6 Risks facing the business

A description of the main risks that may impact our business is below. Potential investors should read this section carefully before deciding to apply for shares under the Offer. There are also other, more general, risks associated with the Company (for example, risks relating to general economic conditions or the inability to sell your shares).

Most people think of climate events in FNQ but there are others such as supply risks, key person risk, tourism downturns, project and regulatory risks. The challenge is to manage these risks.

The risks that impact investors are detailed below.

Table 3: Main risks

Type of risk	Description of risk
<b>Climate - storms</b>	<p>A powerful (Category 3 and above) tropical cyclone in the immediate area is a potential risk. We respond to climate risk by using a plantation design that can withstand cyclones. Experience shows that we will lose the leaves but the plant survives. This means we need a diversified supply of cocoa. We source from other Australian growers, PNG and other Pacific Islands. A bonus is we support our near neighbors.</p> <p>The impact for the Company would be:</p> <ul style="list-style-type: none"> <li>• Manufacturing would be interrupted for 2 -3 weeks</li> <li>• Diminished local cocoa production in the 6 to 12-months after the event</li> <li>• Reduced visitation at the Australian Chocolate Centre</li> <li>• Reduced revenues</li> </ul>
<b>Tourism downturn</b>	<p>Tourism in Far North Queensland historically has been cyclical. A downturn in visitor numbers is a risk to revenue. This is being managed by State and Regional tourism bodies. We are members of tourism and industry bodies so that our voice is heard.</p> <p>We experienced a tourism downturn in Q1 of 2019 which was quite severe. All of FNQ suffered after the 2019 Townsville flood. We realised our exposure to the downturn went beyond the usual seasonal trend. We have been mitigating this risk by adding wholesale customers outside Queensland.</p> <p>The impact for the Company would be:</p> <ul style="list-style-type: none"> <li>• Reduced revenues</li> </ul>
<b>Key person</b>	<p>The business is dependent on its founders at this point. As the business grows staff numbers and management personnel are increasing. The shareholders include a number of experienced professionals who could assume responsibility in the short term.</p> <p>The impact on investors of a sudden founder departure would be:</p> <ul style="list-style-type: none"> <li>• Short term distraction from business development activities</li> </ul>
<b>Agricultural</b>	<p>Cocoa plants are at risk from pests and disease that can affect the plant infrastructure and fruit. At worst our plantations could be decimated and replanting needed. This will impact our capital expenditure requirements. The impact on investors could be:</p> <ul style="list-style-type: none"> <li>• Call on investors for capital or debt funding</li> </ul>
<b>Operational</b>	<p>The business currently operates from one factory building. This facility could be damaged (fire, flood, malevolence) in which case production would be interrupted with consequent impact on revenues. The impact on investors would be:</p> <ul style="list-style-type: none"> <li>• Short – medium term reduced revenues</li> </ul>
<b>Brand reputation</b>	<p>The business has carefully managed its brand and reputation to date. But we could be subject to attack from social media, adverse media reports, product issues. The impact on investors would be:</p> <ul style="list-style-type: none"> <li>• Reduced revenues and increased costs on reputation management</li> </ul>
<b>Financial</b>	<p>This risk is about the business failing. Charley's has operated on tight budgets with a just in time approach to date. As we expand and increase our fixed costs and overheads there is the risk that we mismanage the business and run out of cash. The impact on investors could be:</p> <ul style="list-style-type: none"> <li>• The business may fail</li> </ul>

## 2.7 Financial information

Below are the financial statements of the Company which have been prepared in accordance with the Accounting Standards.

Profit & Loss	2018/19	2017/18
<b>Sales</b>		
Chocolate Sales	\$208,381	\$202,553
Tour fees	\$61,297	\$69,536
<b>Total Sales</b>	<b>\$269,678</b>	<b>\$272,089</b>
<b>Cost of sales</b>		
Less: cost of sales		
Opening inventories	\$52,293	\$53,084
Purchases	\$57,234	\$55,065
Closing inventories	-\$44,626	-\$52,293
	<b>\$64,901</b>	<b>\$55,856</b>
Less: direct costs		
Tour expenses	\$9,112	\$13,866
<b>Gross profit from trading</b>	<b>\$195,665</b>	<b>\$202,367</b>
<b>Expenses</b>		
Accountancy Fees	\$7,273	\$5,815
Advertising	\$5,003	\$9,939
Amortisation	\$568	\$665
Bad Debts Written Off		\$45
Bank Charges	\$321	\$285
Computer Expenses	\$3,625	\$4,367
Contractors	\$575	
Depreciation	\$23,868	\$113,914
Electricity	\$9,967	\$3,727
Filing Fees	\$1,688	\$503
Fines & Penalties		\$78
General Expenses	\$41	\$2,492
General Facility Expenses	\$1,521	
Instant writeoff assets		\$11,183
Insurance	\$3,783	\$5,998
Machinery Running Costs	\$10,749	\$7,519
Merchant Fees	\$2,254	\$2,186
Motor Vehicle Expenses	\$10,089	\$5,751
Plant health management costs	\$1,685	\$1,835
Printing & Stationery	\$811	\$180
Project Supervision Fees	\$69,748	\$42,427
Rent		\$1,970
Repairs & Maintenance	\$3,058	\$4,219
Subscriptions		\$308

Superannuation contributions	\$5,018	\$5,432
Telephone	\$3,015	\$3,398
Wages	\$52,790	\$60,776
Workcover	\$1,307	\$889
<b>Total Expenses</b>	<b>\$218,758</b>	<b>\$272,089</b>
<b>NET LOSS</b>	<b>-\$23,093</b>	<b>-\$93,534</b>
<b>Retained earnings</b> (accumulated losses) at beginning of the financial year	<b>-\$313,393</b>	<b>-\$219,859</b>
<b>Retained earnings</b> (accumulated losses) at the END of the financial year	<b>-\$336,486</b>	<b>-\$313,393</b>

### 2.7.1 Management comments on historical performance and outlook

The 2018/19 result was impacted by the Townsville floods with its severe impact on FNQ tourism. Our low fixed cost structure and careful use of cash flow provided the resilience to withstand this downturn. Results for 2018/19 are in line with 2017/18; both with a small trading profit.

The first quarter 2019/20 trading is positive. Revenues are up reflecting utilization of our new manufacturing capability for increased sales. The business is cash flow positive with a healthy bank balance.

The major driver of financial performance going forward is ramping up sales. Manufacturing capability is in place with a known expansion path. Accordingly the funds raised under the offer will be used to:

- Increase online sales and tourism visitations by taking on a marketing resource and focusing on online marketing
- Increase number of wholesale customers with an additional resource employed
- Increase manufacturing capability by adding an additional manufacturing unit and associated infrastructure
- Plant more cocoa trees at Maria Creek

These initiatives will result in more sales which will scale up the business by distributing the fixed costs over a larger base and so deliver increased profitability.



Balance sheet	2018/19	2017/18
<b>Current Assets</b>		
Cash and equivalents	\$46,916	\$1,770
Trade and other receivables	\$5,504	\$8,482
Inventories	\$44,626	\$52,293
<b>Total Current Assets</b>	<b>\$97,045</b>	<b>\$62,545</b>

<b>Non-Current Assets</b>		
Property, Plant and Equipment	\$207,393	\$217,857
Intangibles	\$35,554	\$35,452
<b>Total Non-Current Assets</b>	<b>\$242,947</b>	<b>\$253,309</b>

<b>Total Assets</b>	<b>\$339,992</b>	<b>\$315,854</b>
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<b>Liabilities</b>		
Current Liabilities		
Trade and other payments	\$7,307	\$7,064
Loan - C & L Jahnke	\$12,244	\$5,255
<b>Total Current Liabilities</b>	<b>\$19,550</b>	<b>\$12,319</b>
<b>Total Liabilities</b>	<b>\$19,550</b>	<b>\$12,319</b>

<b>Net Assets</b>	<b>\$320,442</b>	<b>\$303,535</b>
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<b>Equity</b>		
<b>Fully paid ordinary shares</b>	\$656,928	\$616,928
<b>Retained earnings</b>	-\$336,486	-\$313,393
<b>Total Equity</b>	<b>\$320,442</b>	<b>\$303,535</b>

Cash Flow	2018/19
Net income	-\$23,093
Depreciation & amortisation	\$24,436
Changes in working capital	\$16,832
Purchase of assets	-\$13,029
Issue of new capital	\$40,000
Cash at start of year	\$1,770
<b>Cash at bank at eofy</b>	<b>\$46,916</b>



**We welcomed  
over 5000 visitors  
from Australia and  
most parts of the  
world in 2018/19.**



## SECTION 3

# Information about the Offer

### 3.1 Terms of the Offer

The Company is offering up to 400,000 shares at an issue price of \$1.50 per share to raise up to \$600,000. The key terms and conditions of the Offer are set out in Table 4 below.

Table 4: Terms of the Offer

Term	Details
Shares	Fully-paid ordinary shares
Price	\$1.50 per share
Minimum Subscription	\$150,000
Maximum Subscription	\$600,000
<b>Opening date</b>	<b>7 November 2019</b>
<b>Closing date</b>	<b>28 November 2019</b>

A description of the rights associated with the shares is set out in Section 3.2 below. To participate in the Offer, you must submit a completed application form together with the application money via the Intermediary's platform. The Intermediary's website provides instructions on how to apply for shares under the Offer.

The Intermediary must close the Offer early in certain circumstances. For example, if the Maximum Subscription is reached, the Offer must be closed. If the Minimum Subscription is not reached or the Offer is closed but not completed, you will be refunded your application money.

Investors may withdraw their application during the Cooling-off Period. Further information on investor cooling-off rights can be found in Section 4 of this CSF offer document.

The Offer is not underwritten. Table 5 below sets out the intended use of funds raised under this Offer based on the minimum and maximum subscription amounts.

Table 5: Use of funds

Intended use	Year 1: Minimum Subscription	Year 1-2: Maximum Subscription
Building works	\$30,000	\$350,000
Regulatory approvals		\$4,000
Sales and marketing	\$61,000	\$80,000
Manufacturing equipment	\$50,000	\$30,000
Plantation expansion & farm machinery		\$20,000
Offer costs	\$9,000	\$36,000
Infrastructure and site works		\$80,000
<b>Total funds</b>	<b>\$150,000</b>	<b>\$600,000</b>

The costs of the Offer include the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are up to 6 percent of funds raised.

Other than as specified above, no other payments from the funds raised will be paid (directly or indirectly) to related parties, controlling shareholders, or any other persons involved in promoting or marketing the Offer. We expect that the Minimum Subscription amount will be sufficient to meet the Company's short-term objectives over the next 18–30 months.

If only the Minimum Subscription amount is raised, the Company will require further funding to be able to carry out our intended activities over the next 18-30 months. In such circumstances, the Company may consider undertaking a further crowd-sourced funding (CSF) offer under the CSF regime. Until additional funding is obtained, we will scale back the major building works.

## 3.2 Rights associated with the shares

Immediately after issue, the shares will be fully-paid shares. There will be no liability on the part of shareholders and the shares will rank equally with the shares currently on issue.

The rights associated with the shares are set out in the Company's constitution. A summary of these rights is set out below. A copy of the constitution is attached in the Annexure to this offer document and is available on the intermediary's platform.

### 3.2.1 Voting rights

On a show of hands, each member present (including by proxy, representative or attorney) at a meeting of members or of a class of members who is entitled to vote has one vote.

On a poll, each member present at a meeting of members or of a class of members who is entitled to vote has one vote for every fully paid up share held (S 53 refers).

### 3.2.2 Election and removal of directors

The company or the directors may appoint a director, remove a director, or do both, by passing a resolution to that effect.

The directors may appoint a director either to fill a casual vacancy or to add to their number. A director appointed by the directors ceases to be a director 6 months after the date of his or her appointment unless the appointment is confirmed by the company's passing a resolution at a general meeting (S 9 refers).

### 3.2.3 General meetings and notices

A director may convene a general meeting of the company at any time. A member or members may only call for or convene a meeting in accordance with the Corporations Act (S43 refers). Note: Corporations Act requires Shareholders to hold at least 5% of the votes to require directors to call a meeting.

### 3.2.4 Dividends

Subject to the Corporations Act and to any special rights or restrictions that apply to any shares, the directors may declare and pay dividends on shares provided that:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient to pay the dividend;
- the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors

### 3.2.5 Winding-up

If the Company is wound up and there are any assets left over after all the Company's debts have been paid, if, the assets are more or less than sufficient to repay the whole of the issued capital of the company, the assets must be distributed so that the profit is made or the loss is borne by members proportionally to the capital which was paid up or which ought to have been paid up on their shares at the commencement of the winding up. Amounts paid in advance of a call are to be ignored.





## SECTION 4

# Information about investor rights

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### 4.1 Cooling-off rights

You have the right to withdraw your application under this Offer and to be repaid your application money. If you wish to withdraw your application for any reason (including if you change your mind about investing in the Company), you must do so within five business days of making your application (the Cooling-off Period).

You must withdraw your application via the Intermediary's platform by notifying the intermediary via the "My Portfolio" section.

After your withdrawal has been processed, the Intermediary will refund the application money to your nominated account as soon as practicable.

### 4.2 Corporate governance

#### 4.2.1 Annual general meetings

The Company holds an annual general meeting in December of each year, usually at Mission Beach. Shareholders are encouraged to attend and see the operation.

Shareholders are provided with an opportunity to directly question the directors and management in an open forum about the management, business operations, financial position or performance of the Company, at the AGM.

If shareholders have any queries or concerns about the Company, they should contact the company directly. Chris Jahnke at [chris@charleys.com.au](mailto:chris@charleys.com.au)

#### 4.2.2 Annual report

While the Company is currently a small proprietary company that is not required to prepare annual financial reports and directors' reports, if we successfully complete this Offer, then we will be required to prepare and lodge these annual reports with ASIC (within four months of the financial year end). The Company has a 30 June year end and its financial reports must be lodged by 31 October each year.

Our financial reports are currently not required to be audited as we are a small proprietary company. This means that the Company's financial reports will not be subject to auditor oversight and, therefore, there will be no independent assurance of the Company's financial statements. However, the directors are still required to ensure that the financial statements give a true and fair view of the Company's financial position and performance and that the financial statements comply with the accounting standards.

We may be required to have our financial reports audited in the future if we raise more than \$3 million from CSF offers (including this current offer and any future offers) or otherwise become a large proprietary company.

#### 4.2.3 Distribution of annual report

The Company is not required to notify shareholders in writing of the options to receive or access the annual report. Shareholders will not be able to elect to receive a copy of the annual report by way of email or post. However, shareholders can access the annual report on the Company's website at the following address <http://www.charleys.com.au/> (free of charge) or can purchase the report from ASIC.

#### 4.2.4 Related Party Transactions

If we successfully complete this Offer, the rules on related party transactions in Chapter 2E of the Corporations Act will apply to the Company (for so long as we continue to have CSF shareholders). This means that the Company is required to obtain shareholder approval before giving financial benefits to related parties of the company (e.g. directors and their spouses, children or parents), subject to certain exceptions (such as reasonable remuneration provided to directors).

#### 4.2.5 Takeovers

If we successfully complete this Offer and have more than 50 shareholders, the takeover rules in the Corporations Act will only apply to the Company in a very limited way. If someone wants to buy more than 20% of the voting shares in the Company, they will be able to do so without complying with the takeover rules. This means a person may be able to get control of the Company without making a formal takeover bid to all shareholders or without seeking shareholder approval.

Shareholders will not have the benefit of the full protections under the takeover rules, which means you may not have the right to vote on or participate in a change of control of the company. However, the general principles of ensuring shareholders have sufficient information and time to consider a change of control, and all have a reasonable and equal opportunity to participate in any benefits, will apply to the Company. In addition, the Takeovers Panel has jurisdiction to hear disputes relating to control of the Company.

### 4.3 Communication facility for the Offer

You can ask questions about the Offer on the communication facility available on the Intermediary's platform. You can also use the communication facility to communicate with other investors, with the Company and with the Intermediary about this Offer.

You will be able to post comments and questions about the Offer and see the posts of other investors on the communication facility. The Company and/or the Intermediary will also be able to respond to questions and comments posted by investors.

Officers, employees or agents of the Company, and related parties or associates of the Company or the Intermediary, may participate in the facility and must clearly disclose their relationship to the Company and/or Intermediary when making posts on the facility.

Any comments made in good faith on the communication facility are not subject to the advertising restrictions in the Corporations Act.



# Glossary

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**Company** means Australian Chocolate Pty Limited  
ACN 164 359 808 trading as Charley's Chocolate  
Factory or Charley's

**Cooling-off Period** means the period ending five  
business days after an application is made under this  
Offer, during which an investor has a right to withdraw  
their application and be repaid their application money

**CSF** means crowd-sourced funding under Part 6D.3A  
of the Corporations Act

**Intermediary** means Birchall Financial Services Pty Ltd  
AFSL 502 618

**Maximum Subscription** means the amount specified  
in this CSF offer document as the maximum amount  
sought to be raised by the Offer

**Minimum Subscription** means the amount specified  
in this CSF offer document as the minimum amount  
sought to be raised by the Offer

**Offer** means an offer of fully-paid ordinary shares by the  
Company under this CSF offer document



**“Charley’s is a business with strong growth prospects in an attractive industry. We encourage you to become a shareholder, a consumer and an ambassador.”**



Australian Chocolate Pty Ltd  
ACN 164 359 808

[www.charleys.com.au](http://www.charleys.com.au)  
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