



APPENDIX 4E **PRELIMINARY** **FINAL REPORT**

For the year ended 30 June 2023

Appendix 4E

Under ASX Listing Rule 4.3A

Current reporting period
(FY23)

1 July 2022 to 30 June 2023

Previous reporting period
(FY22)

1 July 2021 to 30 June 2022

PRELIMINARY FINAL REPORT

This Preliminary Final Report presents the results of the consolidated entity of Gratifii Limited and the entities it controlled during the financial year ended 30 June 2023, referred to hereafter as the **(Company)** or **(Gratifii)**.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

UNAUDITED RESULTS

| | Direction | % | | FY23 (\$'000) | | FY22 (\$'000) |
|--|-----------|-------------|-----------|----------------------|-------------|---------------------|
| Revenue from ordinary activities (\$'000') | ▲ | 148% | to | 29,936 ¹ | from | 12,095 ² |
| Profit (Loss) from ordinary activities after tax attributable to members | ▼ | (68%) | to | (4,094) ³ | from | (2,434) |
| Net profit (loss) for period attributable to members | ▼ | (57%) | to | (3,812) | from | (2,434) |
| Basic loss per share (NPAT) (cents) | ▼ | (0%) | to | (0.37) | from | (0.37) |
| Net Tangible liabilities per share (cents) | ▼ | (18%) | to | (0.46) | from | (0.39) |
| Total Revenue | ▲ | 150% | to | 30,217 | from | 12,095 |

¹ Includes \$16,318 of other operating revenue which is not included in the calculation of gross profit.

² Includes \$840k of revenue attributable to a Research and Development grant which the Company will not receive in future periods.

³ \$281,078 (non-operating revenue has been removed).

REVENUE SUMMARY

| | Direction | % | | FY23 (\$'000) | | FY22 (\$'000) |
|---|-----------|-------------|----|---------------------|------|---------------------|
| Platform | ▲ | 1% | to | 2,454 | from | 2,429 |
| Rewards | ▲ | 116% | to | 18,880 ⁴ | from | 8,741 |
| Loyalty Services | ▲ | N/A | to | 8,586 ⁵ | from | - |
| R&D Rebate | ▼ | N/A | to | - | from | 840 |
| Other Ordinary Revenue | ▼ | (81%) | to | 16 | from | 85 |
| Total Revenue from ordinary activities | ▲ | 148% | to | 29,936 ⁶ | from | 12,095 ⁷ |
| Other Non-Ordinary Revenue | ▲ | N/A | to | 281 | from | - |
| Total Revenue | ▲ | 150% | to | 30,217 | from | 12,095 |

Reported revenue from ordinary activities for FY23 was \$29.9 million, an increase of 148 percent from FY22. Mosaic platform (SaaS) revenue represented \$2.45 million, a marginal decrease due to offsetting impacts of new SaaS customers i.e. FAB Group and the business' decision to cease new sales in South Africa.

Our rewards business revenue represented \$18.9 million, which is an increase of 116% over FY22, and includes rewards volumes procured through our client Mitsubishi Heavy Industries of \$7.76 million. These results are due to the signing of several member and employee rewards programs as well as the acquisition of a number of key customers including Student Edge and Rest Superannuation which has significantly increased sales volumes throughout the year.

The services business contributed \$8.6 million, with \$2.8 million related to management and marketing fees paid by customers and \$5.8 million is ancillary rewards, travel and other related products to provide an end-to-end solution to our customer base.

The increase in Rewards and Loyalty Service revenue was offset by the Company no longer being eligible for a research and development grant (\$840 thousand earned in FY22) as well as government subsidies (\$82 thousand earned in FY22).

⁴ Includes \$7.76 million of revenue associated with Mitsubishi Heavy Industries and organic growth from the Rewards business.

⁵ Revenue relates to services and rewards revenue (excluding Mitsubishi Heavy Industries) generated from the acquisition of Hachiko Pty Ltd and its related entities.

⁶ Includes \$16,318 of other operating revenue which is not included in the calculation of gross profit.

⁷ Includes \$840k of revenue attributable to a Research and Development grant which the Company will not receive in future periods.

GROSS PROFIT

Gross profit increased by 91 percent to \$5.03 million compared to FY2022 of \$2.63 million, due to continued revenue growth across both the rewards and services business units.

NET PROFIT / (LOSS) FOR THE PERIOD

Net loss after tax for FY23 was \$3.81 million, compared to net loss of \$2.43 million in FY22. These results are impacted by \$840 thousand research and development grant, which has not being recognised in FY23 as well as government subsidies related to COVID-19. In addition, FY23 saw increased depreciation and amortisation, primarily of the Mosaic platform, as well as increased employment costs largely due to the acquisition of Hachiko and the full year impact of the Neat Ideas business.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

| | Note | FY 2023 \$ | FY 2022 \$ |
|---|------|--------------------|--------------------|
| Revenue | | | |
| Rewards | | 18,879,682 | 8,740,578 |
| Loyalty Services | | 8,585,748 | - |
| Platform | | 2,454,019 | 2,429,439 |
| Total Ordinary Revenue | | 29,919,449 | 11,170,017 |
| Costs of Sales | 1 | (24,887,150) | (8,537,449) |
| Gross Profit | | 5,032,299 | 2,632,568 |
| Other operating revenue | 2 | 16,318 | 924,882 |
| Other non-operating revenue | 3 | 281,078 | - |
| Expenses | | | |
| Administrative and other corporate costs | | (2,757,420) | (2,322,454) |
| Depreciation and amortisation | | (1,596,558) | (931,088) |
| Finance costs | | (216,551) | (496,008) |
| Employee benefits expense | 4 | (4,394,525) | (2,063,055) |
| Share-based payment expense | 5 | (168,165) | (159,224) |
| Foreign exchange losses | | (8,900) | (19,205) |
| Loss before income tax expense | | (3,812,424) | (2,433,584) |
| Income tax expense | | - | - |
| Net profit/(loss) after income tax | | (3,812,424) | (2,433,584) |
| Loss attributed to owners of Gratifii Limited | | | |
| Foreign exchange movement including on intercompany loans | | 135,018 | 15,763 |
| Loss on disposal of subsidiaries | | (155,881) | - |
| Total comprehensive (loss) for the year | | (3,833,287) | (2,417,821) |

| | Cents | Cents |
|---|--------|--------|
| Attributable to: Members of the Parent Company | | |
| Basic (loss)/earnings per share | (0.37) | (0.37) |
| Diluted (loss)/earnings per share | (0.37) | (0.37) |

SIGNIFICANT ITEMS

1. COST OF SALES

| | FY2023 \$ | FY2022 \$ |
|----------------------------|-------------------|------------------|
| Cost of Sales | | |
| Rewards | 17,480,487 | 7,825,470 |
| Loyalty services | 5,959,423 | - |
| Platform | 1,447,240 | 711,979 |
| Total Cost of Sales | 24,887,150 | 8,537,449 |

2. OTHER OPERATING REVENUE

| | FY2023 \$ | FY2022 \$ |
|--------------------------------------|---------------|----------------|
| Other Operating Revenue | | |
| Government subsidies | - | 82,699 |
| Research and development rebates | - | 839,810 |
| Interest | 3,163 | 2,373 |
| Other | 13,155 | - |
| Total Other Operating Revenue | 16,318 | 924,882 |

3. OTHER NON-OPERATING REVENUE

| | FY2023 \$ | FY2022 \$ |
|---|----------------|--------------|
| Other Non-Operating Revenue | | |
| Recognising reduced purchase price of acquisition through profit or loss and other comprehensive income | 281,078 | - |
| Total Other Non – Operating Revenue | 281,078 | - |

4. EMPLOYEE EXPENSES

Employee expenses increased by 113% from \$2.06 million to \$4.39 million, largely due to the acquisition of Hachiko Pty Ltd which included 13 employees and 7 contractors and the full year effect of Neat Tickets Pty Ltd acquisition.

5. SHARE BASED PAYMENTS

During the period, the Company issued 23.3 million options to Directors, KMP and senior management as part of a shareholder approved long term incentive plan. On 14 August 2023, 12 million shares previously issued to Directors were forfeited through agreement.

Consolidated Statement of Financial Position

| | Note | 30 June 2023 \$ | 30 June 2022 \$ |
|--------------------------------------|------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 1,686,611 | 2,069,958 |
| Trade and other receivables | | 1,266,543 | 1,408,866 |
| Inventories | | 653,777 | 411,965 |
| Other assets | | 1,659,783 | 329,761 |
| Total Current Assets | | 5,266,714 | 4,220,550 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 252,835 | 431,491 |
| Intangibles | 6 | 13,742,407 | 8,927,341 |
| Total Non-Current Assets | | 13,995,242 | 9,358,832 |
| Total Assets | | 19,261,956 | 13,579,382 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 7 | 6,483,673 | 4,447,605 |
| Borrowings | 8 | 896,551 | 2,947,797 |
| Lease liabilities | | 166,315 | 158,514 |
| Provisions | | 273,968 | 211,323 |
| Acquisition Liability | 9 | 807,692 | - |
| Deferred revenue | 10 | 1,729,050 | 333 |
| Total Current Liabilities | | 10,357,249 | 7,765,572 |
| Non-Current Liabilities | | | |
| Borrowings | 8 | 757,000 | 133,597 |
| Lease liabilities | | 6,570 | 172,885 |
| Provisions | | 29,404 | 10,458 |
| Total Non-Current Liabilities | | 792,974 | 316,940 |
| Total Liabilities | | 11,150,223 | 8,082,512 |
| Net Assets | | 8,111,733 | 5,496,870 |
| Equity | | | |
| Issued capital | | 46,868,617 | 40,588,632 |
| Reserves | | 42,517 | (58,704) |
| Accumulated losses | | (38,799,401) | (35,033,058) |
| Total Equity | | 8,111,733 | 5,496,870 |

6. INTANGIBLE ASSETS AND GOODWILL

During the period the Company acquired Hachiko Pty Ltd and its related entities and continued to invest in its Mosaic platform

| | Goodwill | Other intangible assets | Total |
|-----------------------------------|------------------|-------------------------------|-------------------|
| Balance as at 1 July 2021 | 1,643,909 | 2,882,034 | 4,525,943 |
| Additions - internally developed | - | 3,547,037 | 3,547,037 |
| Additions – Business Acquisition | 1,631,078 | - | 1,631,078 |
| Amortisation | - | (776,717) | (776,717) |
| Balance as at 30 June 2022 | 3,274,987 | 5,652,354 | 8,927,341 |
| Balance as at 1 July 2022 | 3,274,987 | 5,652,354 | 8,927,341 |
| Additions - internally developed | - | 3,034,501 | 3,034,501 |
| Additions – Business Acquisition | 3,029,442 | 175,000 | 3,204,442 |
| Amortisation | - | (1,423,877) | (1,423,877) |
| Balance as at 30 June 2023 | 6,304,429 | 7,437,978 | 13,742,407 |

7. TRADE AND OTHER PAYABLES

| | FY2023 \$ | FY2022 \$ |
|--------------------------------------|------------------|------------------|
| Trade and Other Payables | | |
| Trade payables | 5,227,619 | 3,883,948 |
| Credit cards | 164,060 | 15,620 |
| Sundry payables and accrued expenses | 1,091,994 | 548,037 |
| Total Other Operating Revenue | 6,483,673 | 4,447,605 |

8. BORROWINGS

| | FY2023 \$ | FY2022 \$ |
|----------------------------------|----------------|------------------|
| Borrowings | | |
| Current Liabilities | | |
| Loans | 119,091 | 12,710 |
| Convertible notes payable | 777,460 | 2,935,087 |
| Total current Liabilities | 896,551 | 2,947,797 |
| Non-Current Liabilities | | |
| Loans | - | 133,597 |
| Convertible notes payable | 757,000 | - |

| | | |
|--------------------------------------|------------------|------------------|
| Total Non-Current Liabilities | 757,000 | 133,597 |
| Total Borrowings | 1,653,551 | 3,081,394 |

The Company has borrowings through convertible loans and notes. During the period 137,884,677 shares were issued for the conversion of \$3.06 million of debt. In addition, the company has entered into issued notes to the value of:

- \$400,000 - Bombora
- \$357,000 – Novus Capital
- \$713,000 – Other

9. ACQUISITION LIABILITY

The acquisition liability is a deferred payment to the vendors of Hachiko Pty Ltd. This amount will be settled by the issue of 53.8 million shares as approved by shareholders on 24 August 2023.

| | FY2023 | FY2022 |
|-----------------------|---------------|---------------|
| | \$ | \$ |
| | | |
| Acquisition Liability | 807,692 | - |

10. DEFERRED REVENUE

The deferred revenue primarily relates to the services business. This compares to a deferred revenue of \$1.56 million on acquisition of Hachiko Pty Ltd and its related entities.

| | FY2023 | FY2022 |
|------------------|---------------|---------------|
| | \$ | \$ |
| | | |
| Deferred Revenue | 1,729,050 | 333 |

Consolidated Statement of Cash Flows

| | 30 June 2023 \$ | 30 June 2022 \$ |
|---|--------------------|--------------------|
| Cashflows from operating activities | | |
| Receipts from customers (inclusive of GST) | 26,452,038 | 12,039,781 |
| Payments to suppliers and employees (inclusive of GST) | (26,836,591) | (12,382,354) |
| Interest received | 3,163 | 1,963 |
| Interest and other finance costs paid | (7,654) | (60,012) |
| Proceeds from research and development rebates | 839,810 | 576,763 |
| Net cash from / (used in) operating activities | 450,766 | 176,141 |
| Cashflows from investing activities | | |
| Payment for purchase of subsidiary | (2,150,227) | (1,547,683) |
| Payment for intangibles | (3,034,500) | (3,281,813) |
| Payment for purchase of business | (175,000) | - |
| Cash received on acquisition | 466,656 | - |
| Net cash used in investing activities | (4,893,071) | (4,829,496) |
| Cashflows from financing activities | | |
| Proceeds from issue of shares | 3,094,797 | 3,568,500 |
| Proceeds from issue of convertible debt | 1,447,000 | 1,550,000 |
| Share issue transaction costs | (267,522) | (263,531) |
| Repayment of borrowings | - | (216,944) |
| Transaction costs related to borrowings | (40,496) | (44,248) |
| Repayment of lease liabilities | (174,821) | (98,379) |
| Net Cash from Financing Activities | 4,058,958 | 4,495,398 |
| Net (decrease) / increase in cash and cash equivalents | (383,347) | (157,957) |
| Cash and cash equivalents at the beginning of the year | 2,069,958 | 2,227,915 |
| Effects of exchange rate changes on cash | - | - |
| Cash and cash equivalents at the end of the financial year | 1,686,611 | 2,069,958 |

Consolidated Statement of Changes in Equity

| | Issued Capital | Foreign currency | Option reserve | Accumul- ated losses | Non- controlling interest | Total equity |
|--|-------------------|---------------------|-------------------|----------------------------|---------------------------------|--------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 34,027,091 | (525,193) | 411,502 | (32,599,474) | - | 1,313,926 |
| Loss after income tax expense for the year | - | - | - | (2,433,584) | - | (2,433,584) |
| Other comprehensive income for the year, net of tax | - | 15,763 | - | - | - | 15,763 |
| Total comprehensive (loss)/income for the year | - | 15,763 | - | (2,433,584) | - | (2,417,821) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contributions of equity, net of transaction costs | 3,304,969 | - | - | - | - | 3,304,969 |
| Share-based payments | - | - | 159,224 | - | - | 159,224 |
| Conversion of options into shares | 120,000 | - | (120,000) | - | - | - |
| Conversion of convertible notes | 3,136,572 | - | - | - | - | 3,136,572 |
| Balance at 30 June 2022 | 40,588,632 | (509,430) | 450,726 | (35,033,058) | - | 5,496,870 |

| | Issued Capital | Foreign currency | Option reserve | Accumul- ated losses | Non- controlling interest | Total equity |
|--|-------------------|---------------------|-------------------|----------------------------|---------------------------------|--------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2022 | 40,588,632 | (509,430) | 450,726 | (35,033,058) | - | 5,496,870 |
| Loss after income tax expense for the year | - | - | - | (3,812,424) | - | (3,812,424) |
| Other comprehensive income for the year, net of tax | - | 135,018 | - | (155,881) | - | (20,863) |
| Total comprehensive (loss)/income for the year | - | 135,018 | - | (3,968,305) | - | (3,833,287) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contributions of equity, net of transaction costs | 2,827,276 | - | - | - | - | 2,827,276 |
| Share-based payments | - | - | 168,165 | - | - | 168,165 |
| Lapsing of options | - | - | (201,962) | 201,962 | - | - |
| Conversion of options into shares | 43,507 | - | - | - | - | 43,507 |
| Conversion of convertible notes | 3,063,048 | - | - | - | - | 3,063,048 |
| Shares issued on settlement of business acquisition | 346,154 | - | - | - | - | 346,154 |
| Balance at 30 June 2023 | 46,868,617 | (374,412) | 416,929 | (38,799,401) | - | 8,111,733 |

NET TANGIBLE LIABILITIES PER SHARE

| | 2023 Cents per Share | 2022 Cents per Share |
|---|----------------------------|----------------------------|
| Net tangible liability backing per ordinary share | 0.46 | 0.39 |

ENTITIES WHERE CONTROL WAS GAINED OR LOST DURING THE PERIOD

| Entity Name | Gained/ Lost | Date |
|---------------------|--------------|--------------------------|
| Hachiko Pty Ltd | Gained | 1 July 2022 ⁸ |
| Hachiko NZ Limited | Gained | 1 July 2022 |
| Rewards 365 Pty Ltd | Gained | 1 July 2022 |

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR

Further significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position will be included in the annual report.

FOREIGN ENTITIES, ACCOUNTING STANDARDS USED IN COMPILING THIS REPORT

The company is not a foreign entity. Australian accounting standards have been applied consistently across all entities in the Group.

DIVIDENDS

There were no dividends paid, recommended or declared during the current financial period. The board does not expect a dividend to be paid in FY24.

There is currently no dividend reinvestment plan in operation.

⁸ The purchase price of Hachiko Pty Ltd, Hachiko NZ Limited and Rewards 365 Pty Ltd was based on a locked box date of 30 June 2022. As a result, the Company gained control on 1 July 2023 and accounted for the revenue and expenses from this date.

EARNINGS PER SHARE

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| Basic (loss)/profit per share | (0.37) cents | (0.37) cents |

RETURNS TO SHAREHOLDERS

| | 2023 \$ | 2022 \$ |
|-------------------------|------------|------------|
| Ordinary securities | - | - |
| Preference securities | - | - |
| Other equity securities | - | - |
| Total | - | - |

SIGNIFICANT FEATURES OF OPERATING PERFORMANCE

Refer pages 2-4 above for information on the Group's financial performance.

SEGMENT INFORMATION

| | Australia & New Zealand \$ | South Africa \$ | Singapore \$ | Total \$ |
|---|----------------------------------|--------------------|-----------------|--------------------|
| Consolidated – 2023 | | | | |
| Revenue and other operating income | | | | |
| Sales to external customers | 27,944,566 | 1,911,658 | 63,225 | 29,919,449 |
| Other revenue | 12,863 | 292 | - | 13,155 |
| Interest income | 159 | 3,004 | - | 3,163 |
| Total revenue and other operating income | 27,957,588 | 1,914,954 | 63,225 | 29,935,767 |
| EBITDA | (2,445,393) | 141,422 | 23,578 | (2,280,393) |
| Depreciation and amortisation | (1,569,078) | (27,480) | - | (1,596,558) |
| Finance costs | (216,440) | (111) | - | (216,551) |
| Recognising reduced purchase price of acquisition through profit or loss and other comprehensive income statement | 281,078 | - | - | 281,078 |
| (Loss)/profit before income tax expense | (3,949,833) | 113,831 | 23,578 | (3,812,424) |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | (3,812,424) |
| Segment assets at 30 June 2023 | 18,958,794 | 292,985 | 10,177 | 19,261,956 |
| Segment liabilities at 30 June 2023 | 11,160,853 | (10,417) | (213) | 11,150,223 |

| | Australia & New Zealand \$ | South Africa \$ | Singapore \$ | Total \$ |
|---|----------------------------------|--------------------|-----------------|--------------------|
| Consolidated – 2022 | | | | |
| Revenue and other operating income | | | | |
| Sales to external customers | 9,129,314 | 1,976,761 | 63,942 | 11,170,017 |
| Other revenue | 922,714 | - | - | 922,714 |
| Interest income | 317 | 1,851 | - | 2,168 |
| Total revenue and other operating income | 10,052,345 | 1,978,612 | 63,942 | 12,094,899 |
| EBITDA | (1,632,857) | 627,593 | (1,224) | (1,006,488) |
| Depreciation and amortisation | (891,701) | (39,037) | (350) | (931,088) |
| Finance costs | (495,214) | (794) | - | (496,008) |
| (Loss)/profit before income tax expense | (3,019,772) | 587,762 | (1,574) | (2,433,584) |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | (2,433,584) |
| Segment assets at 30 June 2022 | 13,174,421 | 395,997 | 8,964 | 13,579,382 |
| Segment liabilities at 30 June 2022 | 8,141,932 | (62,446) | 3,026 | 8,082,512 |

OTHER FACTORS

At the date of this report, the Directors are not aware of any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

REPORTS ON TRENDS IN PERFORMANCE

REVENUE

Total revenue has increased 150% to \$30.2 million (FY2022: \$12.1 million) due to the acquisition of Hachiko and significant growth in the Rewards business unit.

CASHFLOW

Operating cash flow has increased 156% to \$451 thousand (FY2022: \$176 thousand) and for the second straight year is operational cash flow positive. The business continues to invest in its Mosaic platform and within the year paid \$2.2 million in cash for the acquisition of Hachiko and \$175 thousand to purchase the assets of Spendless Buying Advisory Services Pty Ltd.

BALANCE SHEET

The Company had \$1.7 million in cash as at 30 June 2023 and inventory of \$643 thousand. Intangible assets increased by 54% due to the additional investment in the Mosaic platform as well increased goodwill due to acquisition of Hachiko.

Total current liabilities of \$10.3 million include borrowings of \$897 thousand representing convertible notes scheduled to mature in February 2024 as well as deferred revenue of \$1.7 million attributable to the Hachiko business.

COMPLIANCE STATEMENT

This report is based on accounts that are in the process of being audited and are subject to review. Although the FY23 audit is not yet complete, the Company's auditors (MNSA) have noted they expect their audit opinion to include an emphasis of matter paragraph in relation to the Group's ability to continue as a going concern.

At the date of this report, the Directors are not aware of any dispute or qualification.



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