

Appendix 4E

Under ASX Listing Rule 4.3A

**Current reporting period
(FY24)**

1 July 2023 to 30 June 2024

**Previous reporting period
(FY23)**

1 July 2022 to 30 June 2023

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 2024, referred to hereafter as the **(Company)** or **(Gratifii)**.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

UNAUDITED RESULTS

	Direction	%		FY24		FY23
Revenue from ordinary activities (\$'000)	▼	(0.16%)	to	29,888 ¹	from	29,936 ¹
Underlying EBITDA ² (\$'000)	▼	(55.04%)	to	(3,535)	from	(2,280)
Profit (loss) from ordinary activities after tax attributable to members (\$'000)	▼	(164.78%)	to	(10,840) ³	from	(4,094) ³
Net profit (loss) for period attributable to members (\$'000)	▼	(175.89%)	to	(10,517)	from	(3,812)
Basic loss per share (NPAT) (cents)	▼	(103.64%)	to	(0.75)	from	(0.37)
Net tangible liabilities per share (cents)	▼	(7.50%)	to	(0.49)	from	(0.46)
Total revenue	▼	(0.02%)	to	30,211	from	30,217

¹ Includes \$16k of other operating revenue which is not included in the calculation of gross profit for FY23 and \$46k for FY24.

² Earnings Before Interest, Tax, Depreciation and Amortisation and removing significant one-off items (impairment). This is a Non AIFRS item

³ \$281k (non-operating revenue has been removed) for FY23 and \$323k for FY24

SUMMARY OF OPERATIONAL RESULTS

Performance	Ref	FY24 (\$'000)	FY23 (\$'000)
Rewards		21,441	18,880
Loyalty services		7,698	8,586
Platform		703	2,454
Total revenue from ordinary activities		29,842	29,920
Other operating revenue		46	16
Total gross revenue		29,888	29,936
Cost of sales		(25,376)	(24,887)
Operating costs		(7,638)	(7,161)
Share based payments		(409)	(168)
Underlying EBITDA		(3,535)	(2,280)
Significant on off items			
Impairment		(4,607)	-
EBITDA		(8,142)	(2,280)
Depreciation and amortisation		(2,359)	(1,597)
Other non-operating income		323	281
EBIT		(10,178)	(3,596)
Net Finance Expense		(339)	(216)
Profit / (Loss) before tax		(10,517)	(3,812)
Income tax			
Net profit (Loss) after tax		(10,517)	(3,812)

Revenue

Reported revenue from ordinary activities for FY2024 was \$29.9m, a decrease of 0.2% from FY2023. Rewards revenue increased to \$21.4m (FY23: \$18.9m) due to growth across the business-to-business channel.

Mosaic platform (SaaS) revenue represented \$703k, a 71% decrease from FY2023. This is due to the full year impact of the Company's decision to exit the market in South Africa.

The Loyalty Services business contributed \$7.7m (FY23: \$8.6m) in revenue of which \$2.7m related to management and marketing fees (FY23: \$2.8m) paid by customers with \$5.0m being ancillary rewards, travel and other related products (FY23: \$5.8) to provide an end-to-end solution to our customer base. Despite challenging market conditions which lead to a decrease in discretionary spending across the industry our management and marketing fees remained relatively steady year on year.

Underlying EBITDA

Underlying EBITDA decreased by 55% to (\$3,535k). This reduction was driven by increased technology costs across the business, largely due to the Company taking a more conservative approach to capitalisation in FY2024, as well as reduced margins driven by revenue mix with a larger proportion of sales coming through gift cards and a planned and known reduction in South African platform revenue.

Significant one-off Items

- **Asset impairment**

Following a review of market conditions, historical performance, and a review of the recoverable amount on all assets on the balance sheet, Gratifii adjusted its forecast growth rates, resulting in an impairment charge of (\$4.6m).

Non-IFRS financial information

Within this Appendix 4E the directors have presented several pieces of non-IFRS financial information, including a calculation of Underlying EBITDA. The directors believe that this additional disclosure better describes the underlying business results to users of this report and allows for a better understanding. See above for a reconciliation of the non-IFRS information to the IFRS results presented in the attached financial report.

GROSS PROFIT

Gross profit decreased by 11% to \$4.47m compared to FY2023 of \$5.03m, due to continued revenue growth across both the rewards and services business units.

NET PROFIT / (LOSS) FOR THE PERIOD

Net loss after tax for FY2024 was (\$10.5m), compared to net loss of (\$3.8m) in FY2023. The result was impacted by an impairment of (\$4.6m). This impairment was made due to reductions in platform revenue (Mosaic). FY2024 saw decreased capitalisation of the Mosaic platform, which in turn has increased the operating expenditure of the business.

Dividends

No dividend was paid or proposed to be paid during the period.

Entities over which control was gained or lost during the period

No control was gained or lost over entities during the period.

COMPLIANCE STATEMENT

This report is based on accounts that are in the process of being audited and are subject to review. Although the FY2024 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.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	30 June 2024 (\$)	30 June 2023 (\$)
Revenue			
Rewards		21,441,254	18,879,682
Loyalty Services		7,697,976	8,585,748
Platform		702,743	2,454,019
Total ordinary revenue		29,841,973	29,919,449
Cost of sales	1	(25,376,278)	(24,887,150)
Gross profit		4,465,695	5,032,299
Other operating revenue		45,791	16,318
Other non-operating revenue	2	323,077	281,078
Expenses			
Administrative and other corporate costs	3	(3,205,135)	(2,757,420)
Depreciation and amortisation		(2,358,898)	(1,596,558)
Impairments		(4,606,581)	-
Finance costs		(339,091)	(216,551)
Employee benefits expense	4	(4,403,577)	(4,394,525)
Share-based payment expense	5	(409,323)	(168,165)
Foreign exchange losses		(28,913)	(8,900)
(Loss) before income tax expense		(10,516,955)	(3,812,424)
Income tax expense		-	-
Net (Loss) after income tax for the year attributable to the owners of Gratifii Limited and Controlled Entities		(10,516,955)	(3,812,424)
Other comprehensive income			
Foreign currency translation		65,411	135,018
Loss on disposal of subsidiaries		-	(155,881)
Total comprehensive (Loss) for the year attributable to the owners of Gratifii Limited and Controlled Entities		(10,451,544)	(3,833,287)
		Cents	Cents
Attributable to: Members of the parent company			
Basic (Loss)/earnings per share		(0.75)	(0.37)
Diluted (Loss)/earnings per share		(0.75)	(0.35)

SIGNIFICANT ITEMS

1. COST OF SALES

	FY24 (\$)	FY23 (\$)
Cost of sales		
Rewards	20,153,056	17,480,487
Loyalty Services	5,173,712	5,959,423
Platform	49,510	1,447,240
Total cost of sales	25,376,278	24,887,150

2. OTHER NON-OPERATING REVENUE

	FY24 (\$)	FY23 (\$)
Other non-operating revenue		
Recognising reduced purchase price of acquisition through profit or loss and other comprehensive income	323,077	281,078
Total other non-operating revenue	323,077	281,078

3. ADMINISTRATION AND CORPORATE COSTS

Consolidated	FY24 (\$)	FY23 (\$)
Bank fees	137,910	17,257
Bad debts expense (reversals)	88,039	-
Corporate and listing costs	452,474	558,079
Director fees	323,102	200,000
IT	1,037,018	386,562
Marketing	30,444	66,752
Miscellaneous staff costs	47,440	40,434
Office expense	335,538	479,844
Other	32,918	10,979
Professional costs	594,234	860,586
Travel costs	126,018	136,927
Total administrative and other corporate costs	3,205,135	2,757,420

4. EMPLOYEE EXPENSES

Employee expenses in FY2024 of \$4.4 million have remained in line with the previous period. (FY2023: \$4.4m)

5. Share based payment

- During the period, the Company issued Performance Rights to staff, Directors and KMP as part of a shareholder approved long-term incentive plan to the value of \$75,405, as well as short-term incentive shares as approved/ratified by shareholders totalling \$91,028. In addition, the Company issued shares to Patrina Kerr in relation to consulting fees rendered as approved by shareholders with a value of \$34,125. A further share-based payment expense of \$208,765 has been recognised in connection with all other current Employee Share Option Plans dating back to FY21.
- In FY2023, options were issued to Directors, KMP and senior management as part of a shareholder approved long-term incentive plan with a value of \$213,229. Subsequently, on 12 August 2023, shares previously issued to Directors were forfeited through agreement which wrote back \$45,064.

Consolidated Statement of Financial Position

	Note	30 June 2024 (\$)	30 June 2023 (\$)
Assets			
Current assets			
Cash and cash equivalents		324,105	1,686,611
Trade and other receivables		1,306,343	1,266,543
Inventories		410,487	653,777
Other assets		544,703	1,659,783
Total current assets		2,585,638	5,266,714
Non-current assets			
Property, plant and equipment		998,436	252,835
Intangibles	6	10,142,546	13,742,407
Total non-current assets		11,140,982	13,995,242
Total assets		13,726,620	19,261,956
Liabilities			
Current liabilities			
Trade and other payables	7	7,592,810	6,483,673
Borrowings	8	1,855,596	896,551
Lease liabilities		194,145	166,315
Provisions		347,022	273,968
Acquisition liability	9	-	807,692
Deferred revenue	10	1,376,488	1,729,050
Total current liabilities		11,366,061	10,357,249
Non-current liabilities			
Trade and other payables		184,962	-
Borrowings	8	-	757,000
Lease liabilities		702,607	6,570
Provisions		13,894	29,404
Total non-current liabilities		901,463	792,974
Total liabilities		12,267,524	11,150,223
Net assets		1,459,096	8,111,733
Equity			
Issued capital		50,383,354	46,868,617
Reserves		265,988	42,517
Accumulated losses		(49,190,246)	(38,799,401)
Total equity		1,459,096	8,111,733

6. INTANGIBLE ASSETS AND GOODWILL

During the period the Company continued to invest in its Mosaic platform. After a review of market conditions and historical performance and reviewing implied growth rates, the Company has taken an impairment of \$4.3m.

	Goodwill	Other intangible assets	Total
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
Balance as at 1 July 2023	6,304,429	7,437,978	13,742,407
Additions - internally developed	-	2,866,037	2,866,037
Additions – business acquisition	-	-	-
Amortisation	-	(2,178,549)	(2,178,549)
Impairment	-	(4,288,000)	(4,288,000)
Translation of opening balances	-	651	651
Balance as at 30 June 2024	6,304,429	3,838,117	10,142,546

7. TRADE AND OTHER PAYABLES

	FY24 (\$)	FY23 (\$)
Trade and Other Payables		
Trade payables	6,255,862	5,227,619
Credit cards	137,752	164,060
Sundry payables and accrued expenses	1,199,196	1,091,994
Total trade and other payables	7,592,810	6,483,673

8. BORROWINGS

	FY24 (\$)	FY23 (\$)
Borrowings		
<i>Current liabilities</i>		
Loans	343,806	119,091
Convertible notes payable	1,511,790	777,460
Total current liabilities	1,855,596	896,551
<i>Non-current liabilities</i>		
Convertible notes payable	-	757,000
Total non-current borrowings	-	757,000

Total borrowings	1,855,596	1,653,551
-------------------------	------------------	------------------

9. ACQUISITION LIABILITY

On 22 August 2022, Gratifii Limited completed an acquisition of 100% of the shares in Hachiko Pty Ltd, a specialised loyalty and rewards marketing agency. The Company acquired Hachiko Pty Ltd for an estimated value of \$3.3m of which \$2.1m was settled in cash, \$346k settled in shares subject to a 12-month escrow period, leaving an acquisition liability at the 30 June 2023 of \$808k.

Consolidated	30 June 2024 (\$)	30 June 2023 (\$)
Estimated deferred consideration payable ¹	-	(807,692)

¹ Settlement was finalised on 29 August 2023 by Issue of shares with the value of \$484,615, while \$323,077 has been recognised as reduced purchase price of acquisition through the Profit or Loss and Other Comprehensive Income.

10. DEFERRED REVENUE

The deferred revenue primarily relates to the services business.

	FY24 (\$)	FY23 (\$)
Deferred revenue	1,376,488	1,729,050

Consolidated Statement of Cash Flows

	30 June 2024 (\$)	30 June 2023 (\$)
Cashflows from operating activities		
Receipts from customers (inclusive of GST)	31,520,657	26,452,038
Payments to suppliers and employees (inclusive of GST)	(32,068,268)	(26,836,591)
Interest received	5,791	3,163
Interest and other finance costs paid	(111,645)	(7,654)
Proceeds from research and development rebates	-	839,810
Net cash (used in)/from operating activities	(653,465)	450,766
Cashflows from investing activities		
Payment for purchase of subsidiary	-	(2,150,227)
Payment for property plant and equipment	(14,906)	-
Payment for intangibles	(2,866,037)	(3,034,500)
Payment for purchase of business	-	(175,000)
Cash received on acquisition	-	466,656
Net cash (used in) investing activities	(2,880,943)	(4,893,071)
Cashflows from financing activities		
Proceeds from issue of shares	2,503,737	3,094,797
Proceeds from issue of convertible debt	-	1,447,000
Proceeds from borrowings	150,541	-
Share issue transaction costs	(188,694)	(267,522)
Repayment of borrowings	(108,000)	-
Transaction costs related to borrowings	(36,565)	(40,496)
Repayment of lease liabilities	(191,561)	(174,821)
Net cash from financing activities	2,129,458	4,058,958
Net (decrease) in cash and cash equivalents	(1,404,950)	(383,347)
Cash and cash equivalents at the beginning of the year	1,686,611	2,069,958
Effects of exchange rate changes on cash	42,444	-
Cash and cash equivalents at the end of the financial year	324,105	1,686,611

Consolidated Statement of Changes in Equity

	Issued capital (\$)	Foreign currency reserve (\$)	Option reserve (\$)	Accumulated losses (\$)	Total (\$)
Balance as at 1 July 2022	40,588,632	(509,430)	450,726	(35,033,058)	5,496,870
Loss after income tax 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 for the period	-	135,018	-	(3,968,305)	(3,833,287)
Shares issued, net of transaction costs	2,827,276	-	-	-	2,827,276
Issue of options	-	-	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
Total transactions with owners and other transfers	6,279,985	-	(33,797)	201,962	6,448,150
Balance as at 30 June 2023	46,868,617	(374,412)	416,929	(38,799,401)	8,111,733

	Issued capital (\$)	Foreign currency reserve (\$)	Option reserve (\$)	Accumulated losses (\$)	Total (\$)
Balance as at 1 July 2023	46,868,617	(374,412)	416,929	(38,799,401)	8,111,733
Loss after income tax for the period	-	-	-	(10,516,955)	(10,516,955)
Other comprehensive income for the period after tax	-	65,411	-	-	65,411
Total comprehensive loss for the period	-	65,411	-	(10,516,955)	(10,451,544)
Shares Issued, net of transaction costs	3,514,737	-	-	-	3,514,737
Issue of options	-	-	284,170	-	284,170
Lapsing of options	-	-	(126,110)	126,110	-
Total transactions with owners and other transfers	3,514,737	-	158,060	126,110	3,798,907
Balance as at 30 June 2024	50,383,354	(309,001)	574,989	(49,190,246)	1,459,096

ENTITIES WHERE CONTROL WAS GAINED OR LOST DURING THE PERIOD

No control was gained or lost during the period.

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 FY2025.

There is currently no dividend reinvestment plan in operation.

EARNINGS PER SHARE

	FY24 (Cents)	FY23 (Cents)
Basic (loss)/profit per share	(0.75)	(0.37)

RETURNS TO SHAREHOLDERS

	FY24 (\$)	FY23 (\$)
Ordinary securities	-	-
Preference securities	-	-
Other equity securities	-	-
Total	-	-

SIGNIFICANT FEATURES OF OPERATING PERFORMANCE

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

SEGMENT INFORMATION

	Australia & New Zealand (\$)	South Africa (\$)	Singapore (\$)	Total (\$)
Consolidated - FY24				
Revenue				
Sales to external customers	29,649,492	117,633	74,848	29,841,973
Other non-operating revenue	323,077	-	-	323,077
Other operating revenue	42,408	3,383	-	45,791
Total revenue and other income	30,014,977	121,016	74,848	30,210,841
Net loss before tax and other items	(7,850,122)	(31,232)	62,388	(7,818,966)
Depreciation and amortisation	(2,344,833)	(14,065)	-	(2,358,898)
Finance costs	(339,091)	-	-	(339,091)
(Loss) after income tax expense	(10,534,046)	(45,297)	62,388	(10,516,955)
Assets				
Segment assets				
Total assets	13,705,085	12,258	9,277	13,726,620
Liabilities				
Segment liabilities				
Total liabilities	10,639,490	369,912	1,258,122	12,267,524
	Australia & New Zealand (\$)	South Africa (\$)	Singapore (\$)	Total (\$)
Consolidated - FY23				
Revenue				
Sales to external customers	27,944,566	1,911,658	63,225	29,919,449
Other non-operating revenue	281,078	-	-	281,078
Other operating revenue	13,022	3,296	-	16,318
Total revenue and other income	28,238,666	1,914,954	63,225	30,216,845
Net loss before tax and other items	(2,164,315)	141,422	23,578	(1,999,315)
Depreciation and amortisation	(1,569,078)	(27,480)	-	(1,596,558)
Finance costs	(216,440)	(111)	-	(216,551)
(Loss) after income tax expense	(3,949,833)	113,831	23,578	(3,812,424)
Assets				
Segment assets				
Total assets	18,958,794	292,985	10,177	19,261,956

Liabilities				
Segment liabilities				
Total liabilities	11,160,853	(10,417)	(213)	11,150,223

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 of \$30.2m has remained in line with the previous period (FY2023: \$30.2m) due to offsetting factors being a reduction in SaaS revenue as a result of the company's decision to exit the South African market and an increase in rewards revenue.

CASHFLOW

Operating activities loss was (\$653k) compared to an operating activities surplus of \$450k in FY2023 was driven largely by the R&D grant of \$839k received in FY2023, but not received in the current period. In addition, the Company has expensed a high proportion of technology costs which has impacted operating cashflow relative to investing.

BALANCE SHEET

The Company had \$0.3m in cash as at the 30 June 2024 and inventory of \$411k. After an assessment of intangible assets, the Company has impaired intangible assets by \$4.3m and other assets by \$0.3m.

Total current liabilities of \$11.4m include borrowings of \$1.86m, as well as deferred revenue of \$1.4m attributable to the Services business.