

A black and white halftone photograph of a woman with curly hair, laughing joyfully with her head tilted back and her hand near her face. The image is set against a background of a blue and orange curved shape.

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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