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ANNUAL REPORT 2023

For the year ended 30 June 2023





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Overview






Gratific Limited (ASX:GTI) is an ASX listed company transforming the way that loyalty and rewards are managed and delivered. Our single platform is a complete solution offering affordable, market-leading functionality and configurability.

Over 60 mid-to-top tier brands rely on Gratific for their loyalty and rewards.



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FY23 Snapshot

-  **52** talented people
-  **5** locations
-  **\$29.9M** annual revenue from ordinary activities
-  **66** enterprise clients
-  **16** million potential end users



Achieved Climate Active certification to reflect that Gratific's business operations are carbon neutral



Deloitte Tech Fast 50 – 2022 Finalist



Australian Growth Company Awards – 2022 Finalist

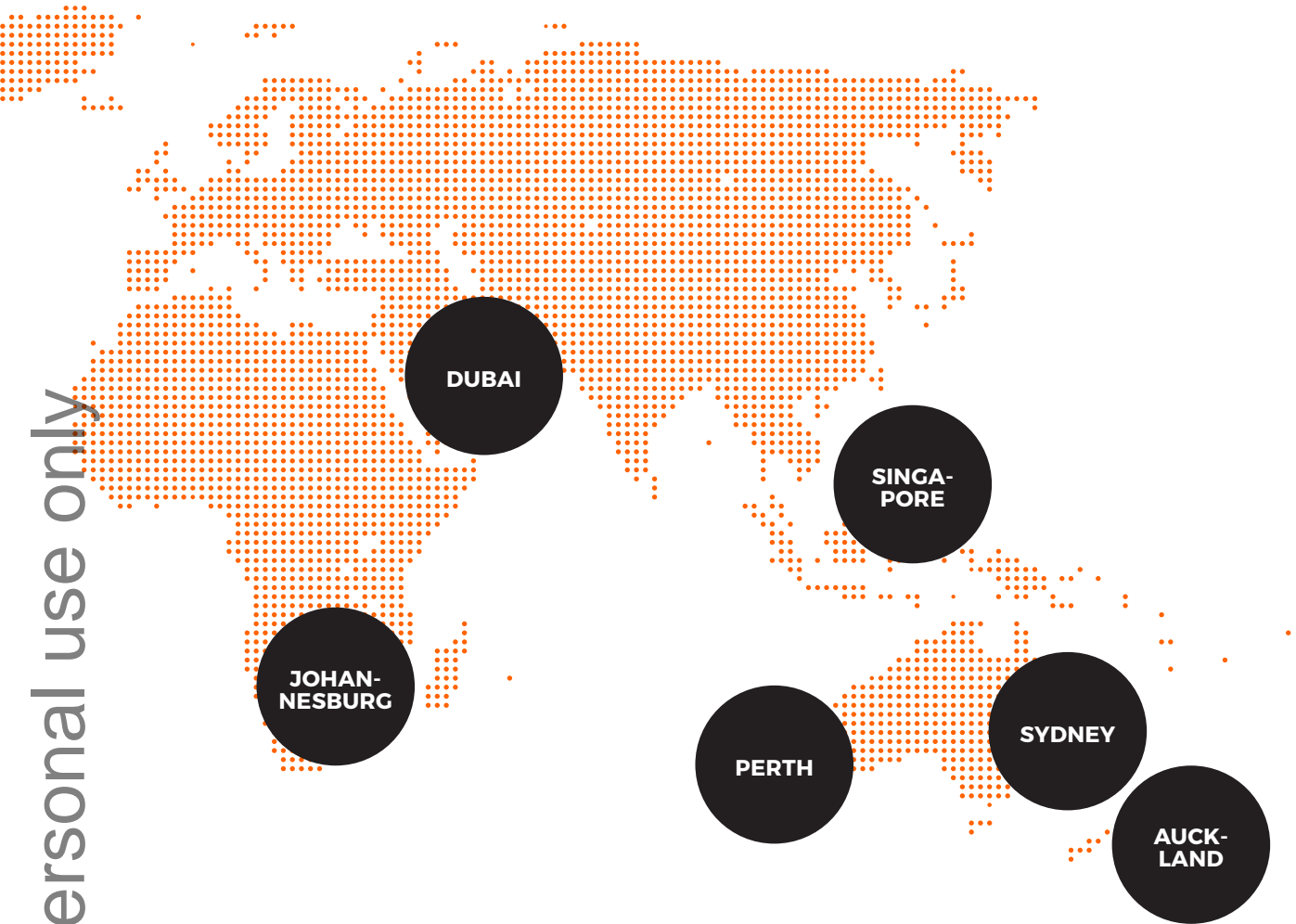


Completed Hachiko and Spendless acquisitions



Completed successful capital raises

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14 enterprise clients went live

- Delivered first full-service loyalty and rewards solution for Niterra
- Cornerstone signed and delivered
- Seagrass live across 4 of 6 brands
- FAB Group signed and delivered
- Over 100,000 active members on Mosaic
- Signed transformational 3-year contract with RAC

Our Clients

Trusted by 100+ brands



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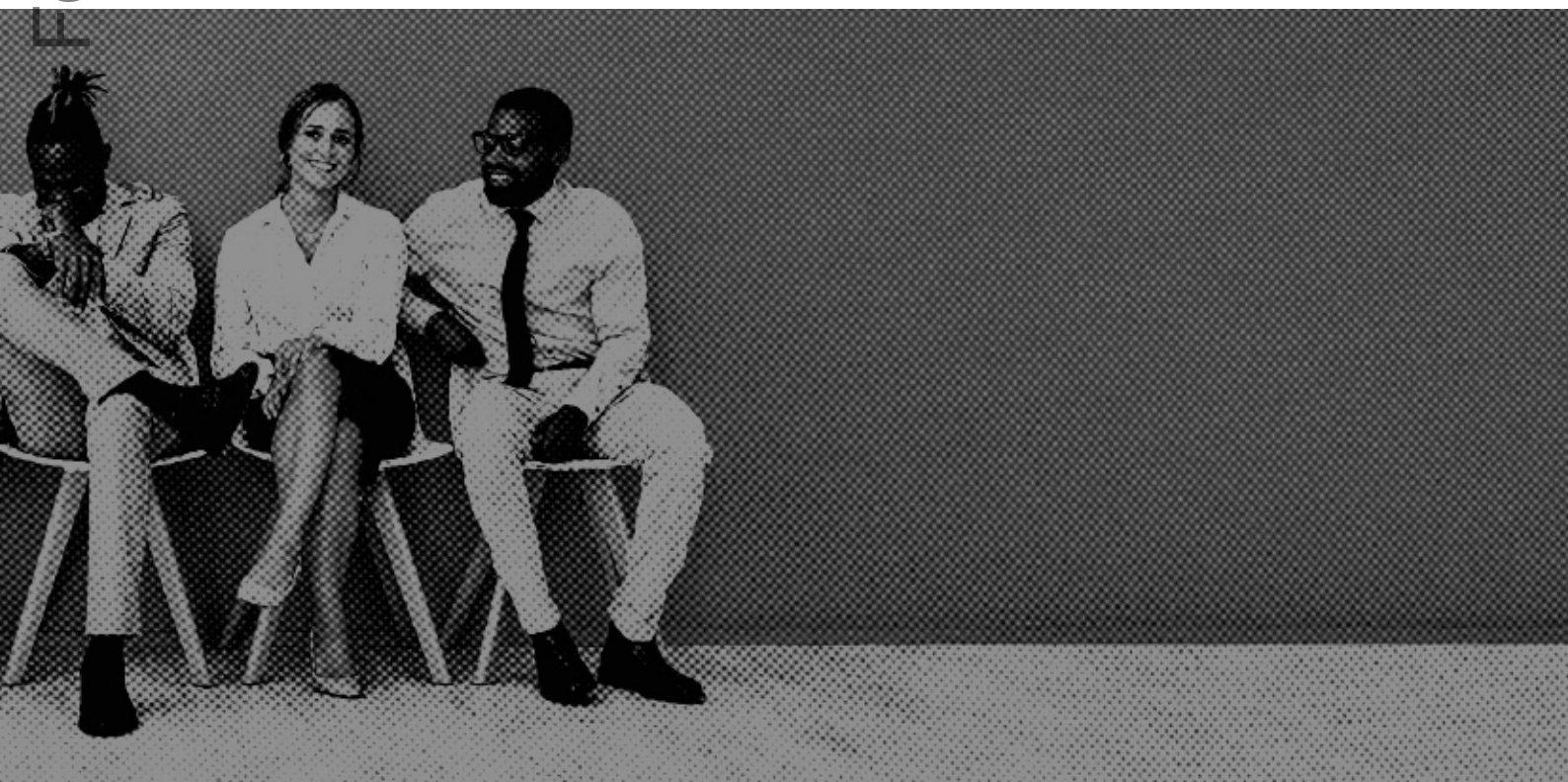


Our Suppliers

150+ iconic brands



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Chair's Report

Dear Shareholders,

On behalf of the Board of Directors of Gratific, I am pleased to present you the Annual Report for Gratific Limited for the financial year ended 30 June 2023 (**FY23**). It has been an honour and delight to chair this dynamic organisation over the last two years and to observe the development of an outstanding and capable team, who are now advancing loyalty, rewards, customer engagement and employee engagement. Gratific in a short space of time has become the trusted partner of many customer and member focussed organisations (large and small) through exceptional and secure technological products.

Gratific is unique in that our customers can with one engagement access our combined loyalty expertise, superior technology, marketing knowledge and rewards content to help their business succeed. This has transformed the way loyalty and reward programs are managed and delivered in the Australian market, leading to better engagement for our clients with their customers and building brands with leading loyalty programs and management.

CORPORATE ACTIVITY AND OPERATIONS

FY23 was yet again an exciting year for Gratific. In meeting our strategic targets, we achieved record revenue growth, advanced our technology platform and developed our people's capability. All of which will enable Gratific to scale in the years ahead.

During the year, we completed the acquisition of Hachiko Pty Ltd and its related entities (**Hachiko**), a leading specialised loyalty and rewards marketing agency in Australia and New Zealand. This also brought to Gratific expertise and a successful track record in the management of distribution channels. All of Hachiko's engagement program expertise, marketing services and loyalty rewards are now available through Gratific, the final pillar, to complement our existing loyalty and rewards offering. We were also delighted to welcome Patrina Kerr (Hachiko's previous Managing Director) to the Board as a Non-Executive Director.

In an add-on to our rewards business, Neat Ideas acquired the business assets of cinema ticket and gift card reseller, Spendless Buying Advisory Service Pty Ltd (**Spendless**), adding scale and distribution capability.

Alongside these acquisitions, we invested heavily in several implementations for clients across the hospitality, health and wellness, and trade sectors as a pre-cursor for ongoing SaaS, rewards and loyalty services revenue. The agile implementation of these programs allowed us to win further contracts and sustain our strong growth profile.

We also invested significantly in our operations, particularly cybersecurity and are on track to become ISO 27001 certified by the end of calendar year 2023. This is important for the ongoing success of our customers and distinguishes Gratific as the leading provider of loyalty technology and programs.

CAPITAL MANAGEMENT

Gratific sourced funding over the period to support our growth.

We successfully raised \$1.25 million in August 2022 and \$2.75 million in June 2023 via placements to institutional investors to fund acquisitions and technology development.

Convertible notes were also an important vital part of our growth acceleration plans, with \$1.12 million of convertible notes issued during the period.

OUTLOOK

During 2023, 90% of Australians were enrolled in at least one loyalty program – with an average of 4.1 loyalty programs per person – according to The Point of Loyalty's For Love or Money 2023 Report.

As inflation returned, consumers everywhere looked for ways to improve economic utility and that included loyalty programs. This was evidenced by the Australian Loyalty Association 2022 Annual Insights Report which notes the cost-of-living crisis has brought into focus the value of loyalty programs for members as they look to the programs for help. The Point of Loyalty's For Love or Money 2023 Report backs that up, noting that getting value from their purchases is the number one problem consumers want loyalty programs to solve.

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Our expertise and comprehensive offering, powered by our in-house loyalty platform Mosaic, provides all the tools that brands need to quickly launch a fully customised loyalty program and build even more meaningful connections and value for their customers.

We look forward to FY24 with confidence to leverage the growing demand and opportunities presented in the loyalty market, of continuing acceleration in revenue and customer growth, scaling our business and meeting our horizon objectives.

Gratific is one of Australia's technology success stories – bringing innovative technology and an outstanding team of professionals together who make a real difference to loyalty and client management. I would like to celebrate their achievement and thank them for their dedication, vision and hard work. I would also like to acknowledge our management team and my fellow directors for their hard work and support as we continue our growth trajectory. Thanks also to our clients for the opportunity to serve you and our shareholders and investors for your ongoing support.

As your Chair, I am humbled by how far Gratific has come, and excited by how far we will go.



Stephen Borness
Non-Executive Chair

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CEO & Managing Director’s Report

Dear Shareholders,

Gratific has delivered strong results for FY23, while continuing to invest for future growth to deliver technological infrastructure and services that are critical to the success of our clients.

As Gratific grows, we continue to pursue our vision of powering loyalty success by transforming the way loyalty and rewards are managed and delivered. Our growth track record and investment in loyalty technology means we are ideally positioned to benefit from increasing demand for loyalty and rewards programs as the cost-of-living rises and brands recognise how such programs can amplify their customer base.

Our point of difference in this market is our ability to provide a one-stop shop for our clients’ loyalty and rewards needs, from our loyalty platform, Mosaic, to our rewards offering (Neat Ideas) and our services arm (for marketing, design and gamification).

FINANCIAL PERFORMANCE

Gratific achieved a number of important milestones throughout the fiscal year as reflected in our material revenue growth. The operating cash position continued to improve despite continued investment in infrastructure and integration of Hachiko into the group.

Total revenue for the year ended 30 June 2023 reached \$30.2 million, up 150% on the prior period (FY22: \$12.1 million). This growth was offset by the Group no longer being eligible for a research and development (R&D) grant and government subsidies (\$0.9 million earned in FY22).

Acquired subsidiary Hachiko provided 39% of revenue growth. Organic growth comprised the remaining 61%, driven by a growing demand for loyalty and rewards services in Australia and New Zealand.

Increased revenue across the rewards and services business lines led Gross Profit to increase by 91% to \$5.0 million (FY22: \$2.6 million).

The Company’s Reported Net Loss was \$3.8 million for the financial year, reflecting increased depreciation and amortisation costs of \$1.6 million, primarily related to the Mosaic platform, as well as increased employment costs from the acquisition of Hachiko and the full year impact of the Neat Ideas business. By comparison, FY22’s \$2.4 million Reported Net Loss included \$0.9 million of R&D grants and government subsidies not received in FY23.

Gratific’s Operating Cashflow for FY23 was \$0.5 million (FY22: \$0.2 million), reflecting our improved operating and capital

management initiatives over the full year. We spent \$3.0 million (\$3.3 million in FY22) on Investment Cashflow to support the continued development of our market-leading Mosaic platform, the acquisition of Hachiko (\$2.1 million cash payment) and the assets of Spendless (\$175k cash payment).

With increased investment in operations, our operating expense to revenue ratio decreased from 53.6% to 29.6%.

OPERATIONS AND TECHNOLOGY UPDATE

This was the first year with our end-to-end loyalty solution in place across our three service lines:

- **Platform:** Software-as-Service (SaaS) fees from contracted clients contributed \$2.5 million (8%) of revenue (FY22: \$2.5 million). SaaS fees were flat due to the offsetting impacts of new Australian SaaS customers (as outlined below) against the Company’s decision to terminate two large SaaS client contracts and wind back operations in South Africa.
- **Rewards:** Margin earned on rewards contributed \$18.9 million (63%) of revenue (FY22: \$8.7 million). This increase was due to increased ticket sales from better engagement with existing clients, reward volumes procured through Hachiko-acquired client Mitsubishi Heavy Industries and the signing of several new member and employee rewards programs, including Student Edge and Rest Superannuation.
- **Services:** Service fees are a new revenue line from the acquired Hachiko business. Of the \$8.6 million (29%) of revenue earned from service fees, \$2.8 million was paid by customers for marketing and management services, and \$5.8 million was from ancillary rewards, travel and other related products that provide an end-to-end solution to our customer base.

We made significant investment in our technology and I.T. environment to drive customer experience, scale and security. We are on track to meet our milestone of becoming ISO 27001 certified by the end of 2023.

Due to our ongoing investment in Mosaic, our SaaS platform, is now a fully configurable rules engine that supports any loyalty program proposition. Its interop microservices structure supports fast, easy plug-and-play integration with any external system, including PoS, ERPs and partner systems. The value of Gratific’s

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technological investment should not be understated. We now have the capability to engage and integrate with new enterprise clients for a fraction of the cost and time compared to our initial enterprise clients in each sector.

Gratific was awarded Climate Active certification for its business operations during the period, reflecting the Company's commitment to being carbon neutral and reducing its organisational emissions by 30% by 2032 (compared to 2023).

We further extended our sustainability commitment from our business operations to launching Carbon Offset e-Gift Cards for consumers to offset their household emissions by supporting verified carbon offset projects in NSW, Queensland and South Asia.

CLIENT AND SUPPLIER UPDATE

With over 60 clients and over 16 million end users, many of our relationships are long standing and include some of Australia's largest brands.

We delivered a record number of client projects across a range of sectors, including:

- Power Perks, an end-to-end loyalty solution for Niterra Australia (formerly NGK Sparkplugs), launched to 5,000 independent garages and workshops;
- Custom rewards and recognition platform for NZ based skin clinic business FAB Group;
- Roll-out of Seagrass Boutique Hospitality Group's Dining Rewards Program to six restaurant brands; and
- Implementation of a medical centre loyalty program to over 60,000 users for Cornerstone Health.

The launch of these loyalty programs means we surpassed 100,000 active users on Mosaic platform for the first time.

A transformational 3-year SaaS contract was signed with Royal Automobile Club of Victoria Limited (**RACV**) to deploy Mosaic and an expanded range of services to RACV's affiliates and its 2.1 million members. This is on top of the rewards we have supplied to RACV for more than 10 years.

Alongside our client wins, we onboarded over 20 new suppliers as reward content providers, including Dreamworld, Dendy Cinemas, Prezzy and Rezdy.

PEOPLE UPDATE

The acquisition of Hachiko brought not only high-quality clients but also an experienced team of marketing and engagement professionals that complement our existing loyalty and rewards specialists.

Both our CFO and company secretary functions were brought in-house from external service providers, with the appointment of Ben Newling and Alicia Gill, reflecting our maturing business operations.

We also introduced an executive team structure to support our growing business who work closely with the Board to execute our strategy.

OUTLOOK

Gratific is in an exciting position to capitalise on further growth in the loyalty and rewards sector. Our full-service model uniquely positions us to support our clients' success through loyalty program design and implementation to management.

We will continue to focus on growing our platform and strong client relationships. FY24 will have a particular focus on delivering the transformational RACV contract, a project of such significance Gratific is now well positioned to capture a greater proportion of the motoring/insurance sector.

We expect to deliver continued cash receipts growth in line with our aspiration to deliver positive cashflows within FY24.

Finally, I extend my thanks to our people, clients, partners, suppliers and shareholders for their part in Gratific's continuing growth and success.



Iain Dunstan
Managing Director & CEO



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Financial Review

Reported revenue from ordinary activities for FY23 was \$29.9 million, an increase of 148% from FY2022. Mosaic platform (**SaaS**) revenue represented \$2.45 million, a marginal decrease due to offsetting impacts of new SaaS customers i.e. The FAB Group and the business' decision to cease new sales in South Africa.

Rewards revenue represented \$18.9 million, which is an increase of 116% over FY22, and includes rewards volumes procured through Hachiko-acquired client, Mitsubishi Heavy Industries, of \$7.8 million. The growth in rewards revenue was a result of 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 significantly increased sales volumes throughout the year.

The services business contributed \$8.59 million, with \$2.8 million related to management and marketing fees paid by customers, and \$5.8 million in ancillary rewards, travel and other related products provided to clients as part of our end-to-end solution.

The increase in Rewards and Loyalty Service revenue was offset by the Group no longer being eligible for a research and development grant of \$0.8 million and \$82 thousand in government subsidies in FY22.

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GROSS PROFIT

Gross profit increased by 91 percent to \$5.03 million compared to FY22 in \$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. This result was impacted by a FY22 \$840 thousand research and development grant which has not been 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.

DISCONTINUED OPERATIONS

During the financial year the Group did not divest or discontinue any operations.

DEBT MANAGEMENT

During the financial year the Group issued 137,884,677 shares for the conversion of \$3.06 million of debt and entered into convertible loans of \$1,470,000. This funding allowed the Group to continue its investment into the Mosaic platform as well as general working capital purposes.

DIVIDENDS

No dividend has been declared in relation to the FY23 results. The Board of Directors of Gratifi do not expect to declare any dividends in FY24.

CASHFLOW

Operating cash flow has increased 156% to \$451 thousand (FY22 \$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 Group had \$1.7 million in cash as at 30 June 2023 and inventory of \$653 thousand. Intangible assets increased by 54% due to the additional investment in the Mosaic platform as well as increased goodwill from the Hachiko acquisition.

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.

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **Group**) consisting of Gratific Limited (referred to hereafter as the **Company** or **Gratific**) and the entities it controlled at the end of, or during, the financial year ended 30 June 2023. The information in the Operating and Financial Review forms part of this Directors' report and should be read in conjunction with this section of the Annual Report.

DIRECTORS

The following people were Directors of the Company during the financial year and up to the date of this report:

- Iain Dunstan (appointed 17 April 2020)
- Bryan Zekulich (appointed 29 December 2020)
- Mike Hill (appointed 29 December 2020)
- Stephen Borness (appointed 6 May 2021)
- Patrina Kerr (appointed 1 September 2022)

Particulars of each Director's experience and qualifications are presented later in this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year included the following:

- **Rewards:** providing rewards-as-a-service to closed-end user groups and earning a margin on rewards purchased.
- **Loyalty Services:** developing and managing promotions, channel engagement and incentive programs for clients and earning service fees for services delivered.
- **Technology Platform:** Software-as-a-service (SaaS) for provision of the Group's loyalty and rewards management platform, Mosaic.

NON-AUDIT SERVICES

There were no non-audit services provided in the year.

INDEMNITY AND INSURANCE OF OFFICERS

The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in

respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 32 of the Annual Report.

ASIC INSTRUMENT 2016/191 ROUNDING IN FINANCIAL STATEMENTS / DIRECTORS' REPORT

The Company is an entity to which ASIC Instrument 2016 / 191 applies. Accordingly, amounts in the financial statements and Director's report are rounded to the nearest thousand dollars, or in certain cases to the nearest dollar.

ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

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CORPORATE GOVERNANCE STATEMENT

The objective of the Board of Gratifii Limited is to create and deliver long-term shareholder value. While each area of the Company's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value. The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Gratifii Limited and its subsidiaries operate as a single economic entity with a unified board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as stated elsewhere in this report, Directors are not aware of any other matters or circumstances at the date of this report that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Group in subsequent financial years.

MATTERS ARISING AFTER THE END OF THE FINANCIAL YEAR

The Group finalised the second tranche of the capital raise on 29 August 2023 post shareholder approval at the Extraordinary General Meeting on 24 August 2023, resulting in the issue of 56.5 million shares at \$0.016 per share.

Also pursuant to shareholder approval at the Extraordinary General Meeting the Company issued 53.8 million shares to the vendors of Hachiko pursuant to the share sale agreement between the parties dated 11 August 2022.

Further, pursuant to the ASX release on 7 August 2023, 12 million options were cancelled.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

OPTIONS

The Company issued options to the following Directors and KMP during the course of the financial year. Full details are contained in the Remuneration Report.

Director/KMP	Number of options	Issue Date	Expiry Date	Strike Price
Stephen Borness ¹	647,471 ²	11 Nov 2022	11 Nov 2027	\$0.028
	1,852,529 ²	11 Nov 2022	11 Nov 2028	\$0.030
Michael Hill ³	647,471 ²	11 Nov 2022	11 Nov 2027	\$0.028
	1,852,529 ²	11 Nov 2022	11 Nov 2028	\$0.030
Bryan Zekulich ⁴	647,471 ²	11 Nov 2022	11 Nov 2027	\$0.028
	1,852,529 ²	11 Nov 2022	11 Nov 2028	\$0.030
Iain Dunstan	2,136,653	11 Nov 2022	11 Nov 2027	\$0.028
	6,610,902	11 Nov 2022	11 Nov 2028	\$0.030
Justin Jefferies ⁵	2,136,653	11 Nov 2022	11 Nov 2027	\$0.028
	3,113,347	11 Nov 2022	11 Nov 2028	\$0.030

No options were exercised during the period.

¹ Options issued to Celerity Nominees Pty Ltd, a related entity of Stephen Borness.

² Options subsequently cancelled by agreement on 14 August 2023.

³ Options issued to Malolo Holdings Pty Ltd, a related entity of Michael Hill.

⁴ Options issued to Alster Australia Pty Ltd, a related entity of Bryan Zekulich.

⁵ Options were issued to Justin Jefferies prior to him becoming a KMP on 6 March 2023.

Information Relating to Directors and Company Secretary

Each Director held that position from the start of the financial year until the date of this report unless otherwise stated.

Stephen Borness

Non-Executive Chair

Board Appointment	Interests in Shares and Options	Special Responsibilities
Stephen was appointed to the board on 6 May 2021 and elected by shareholders on 8 November 2021.	<p>Stephen has an indirect interest in shares and options through Celerity Nominees Pty Ltd as trustee for the Celerity Super Fund of which Stephen is a Director and shareholder.</p> <ul style="list-style-type: none"> Interest in shares: 8,820,856 Interests in options: 4,000,000⁶ 	<ul style="list-style-type: none"> Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Committee
Directorships held in other listed entities during the 3 years prior to the current year	Qualifications	
Beamtree Holdings Limited (ASX:BMT)	Stephen Borness is a Fellow of the Australian Institute of Company Directors (FAICD) and holds a Bachelor of Business (Accounting), MBA, and CPA.	
Experience		
<p>Stephen Borness has more than 30 years' experience in leading and developing technology implementation focused organisations, digitisation, and business improvement technologies.</p> <p>In 1999, he launched and developed a company which used technology and analytics to revolutionise customer relationship management in Australia. Prior to his work in the technology sector, Stephen worked as an investment banker across the Australian, European and US markets.</p>		

⁶ Options were cancelled on the 14th of August 2023.

Iain Dunstan

Managing Director / CEO

Board Appointment	Interests in Shares and Options	Special Responsibilities
17 April 2020	<p>Iain has a direct interest in 9,491,678 shares and 20,527,945 options.</p> <p>In addition, he has an indirect interest of 4,583,333 shares through a related entity, Iain Dunstan & Caroline Dunstan <Dunstan Family S/F A/C>.</p>	<ul style="list-style-type: none"> Member of the Audit and Risk Committee Member of the Remuneration and Nomination Committee
Directorships held in other listed entities during the 3 years prior to the current year	Qualifications	
Nil	Iain holds a Master of Commercial Law, an MBA from the Macquarie Graduate School of Management, and is a Graduate Member of the Australian Institute of Company Directors (AICD).	
Experience		
<p>Iain Dunstan has over 35 years' experience in leading global financial services, technology and ASX listed companies.</p> <p>Prior to his current role, Iain was the Chief Commercialisation Officer at Lakeba Group. Iain's recent turnaround role was as the CEO of Rubik Financial Limited, a listed software company that developed and implemented banking, wealth management and mortgage broking solutions, primarily in Australia. He managed the sale of the business to Temenos, a Swiss company (Market Cap of US\$9 billion) at a 72% premium to VWAP. He was also the founder of financial services technology company, Bravura Solutions where he developed technology for a client base of banks and superannuation organisations. He was involved in its ASX listing.</p>		

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Bryan Zekulich

Non-Executive Director

Board Appointment	Interests in Shares and Options	Special Responsibilities
29 December 2020 and elected by shareholders on 29 January 2021.	Bryan has a direct interest in 6,967,043 shares and 1,500,000 ⁶ options as well as an indirect interest through his related entities Maxharry Pty Ltd and Alster Australia Pty Ltd of 3,372,512 shares and 2,500,000 ⁶ options.	<ul style="list-style-type: none"> Chair of the Audit and Risk Committee Member of the Remuneration and Nomination Committee.
Directorships held in other listed entities during the 3 years prior to the current year		Qualifications
Design Milk Co Limited – (ASX: DMC)		Bryan has a Bachelor of Commerce, Fellow of the Institute of Chartered Accountants of Australia (FCA), and Fellow of the Financial Services Institute of Australia (FINSIA), F. Fin.
Experience		
<p>Bryan Zekulich has over 30 years' experience in the Australian M&A market, including divestments, strategic finance, capital raisings and advising on ASX listing requirements.</p> <p>Bryan was the Managing Partner of EY's Private Equity division and is also a Board member, Treasurer and Company Secretary of the Australian Investment Council (formerly the Australian Private Equity and Venture Capital Association "AVCAL"). He is also a former Director of Hockey Australia Limited.</p>		

Mike Hill

Non-Executive Director

Board Appointment	Interests in Shares and Options	Special Responsibilities
29 December 2020 and elected by shareholders on 29 January 2021.	Mike has a direct interest in 2,500,000 shares and an indirect interest in a further 4,756,428 shares and 4,000,000 ⁶ options through related entities Malolo Holdings Pty Ltd, Jarumitoti Superannuation Fund Pty Ltd and Jaruti Pty Ltd of which Mike is a director, shareholder and beneficiary.	Nil
Directorships held in other listed entities during the 3 years prior to the current year		Qualifications
<ul style="list-style-type: none"> Design Milk Co Limited (ASX: DMC), Janison Education Group Limited (ASX: JAN), Mad Paws Holdings (ASX: MPA); and Beamtree Limited (ASX: BMT) 		Mike is a member of the Australian Institute of Chartered Accountants (AICA) and holds a Bachelor of Arts (Accountancy).
Experience		
<p>Mike Hill has more than 20 years' experience working with management teams and Boards across several industries and companies.</p> <p>Mike is the Managing Director, CIO, and a founder of the Bombora Special Investment Growth Fund. He was a former Investment Partner of Ironbridge from 2004 to 2014, a private equity firm with \$1.5 billion in funds under management, where he led and was involved in several transactions across a variety of industries.</p>		

⁶ Options were cancelled on the 14th of August 2023.

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Patrina Kerr

Non-Executive Director

Board Appointment	Interests in Shares and Options	Special Responsibilities
Appointed 1 September 2022	Patrina holds 47,500,000 shares through her related entity Bombora Capital Limited as trustee for the PHACT trust. She held 12,500,000 shares as at 30 June 2023 and acquired a further 35,000,000 shares on 29 August 2023 as deferred consideration for the sale of Hachiko. Interests in options: Nil	Nil
Directorships held in other listed entities during the 3 years prior to the current year		Qualifications
Nil		Patrina is a member of the Australian Institute of Company Directors (AICD) and the Institute of Directors in New Zealand (IoD NZ).
Experience		
Patrina Kerr has more than 25 years' experience working in senior sales and marketing roles. Patrina was previously the Managing Director of Hachiko Pty Ltd, a company specialising in the marketing of loyalty and rewards acquired by Gratific in August 2022. Prior to her role at Hachiko, Patrina had a long and varied career at Microsoft, CA Technologies, Consulting WorX Pty Ltd and Corel Corp.		

BOARD COMMITTEES

To assist the Board in undertaking its duties, the Board has established the following standing committees:

1. The Audit and Risk Committee; and
2. The Remuneration and Nomination Committee.

Each committee has its own charter, copies of which are available on the Company website.

DIRECTOR SKILLS MATRIX

Skill Ratings: **3:** High level of skill, professional experience or expertise **2:** Competent level of skill, professional experience or expertise
1: Developing, level of skill, professional experience or expertise **0:** No skill, professional experience or expertise

Name	Stephen Borness	Iain Dunstan	Mike Hill	Bryan Zekulich	Patrina Kerr
Position	Non-Executive Chair	MD & CEO	Non-Executive Director	Non-Executive Director	Non-Executive Director
Industry					
Independent	Yes	No	Yes	Yes	No
Strategy/Industry knoweldge	3	3	3	3	3
Corporate Governance	3	2	2	3	1
Risk & Compliance	3	2	2	3	1
Legal	3	3	2	1	1
Health /Safety Environment	3	2	2	1	2
Investor/ Public Relations	2	2	3	2	1
Technical	3	2	3	0	3
Product Development	3	3	3	0	3
Finance					
Commercial/ Operations	3	3	3	1	3
Financial / Accounting	3	2	2	3	1
Capital Markets	3	2	3	3	1
Diversity					
Mergers & Acquisitions	3	3	3	3	2
Ethnicity	Aust	Aust	Aust	Aust	NZ
Age	61	61	51	60	48
Gender	M	M	M	M	F

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During the reporting period the Company elected to insource its company secretary function from its previous service provider, Automic Group, and appointed joint company secretaries, Alicia Gill and Ben Newling, from within its executive team.

Ben Newling

Ben is an experienced CFO and company secretary professional, having held executive roles with ASX listed companies in the loyalty and rewards and banking industries, and holds an MBA from Macquarie Graduate School of Management. Ben is also the Group's CFO.

Date of appointment:
6 March 2023

Alicia Gill

Alicia is an experienced ASX listed company secretary and is also the Company's Head of Marketing. She has held executive roles at public and private companies and holds a Bachelor of Business and a Diploma of Investor Relations.

Date of appointment:
15 November 2022

Maggie Niewidok

Outsourced Company Secretary from Automic Group

Date of appointment:
9 August 2022

Date of resignation:
15 November 2022

David Hwang

Outsourced Company Secretary from Automic Group

Date of appointment:
29 December 2020

Date of resignation:
9 August 2022

MEETINGS OF DIRECTORS

The number of meetings of directors held during the year during the time the Director held office and the number of meetings attended by each Director were as follows:

Director	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
I Dunstan	10	10	2	2	2	2
S Borness	10	10	2	2	2	2
B Zekulich	10	10	2	2	2	2
M Hill	10	6	-	-	-	-
P Kerr ⁷	9	9	-	-	-	-

⁷Appointed as a Director on 1 September 2022.

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LEADERSHIP TEAM

Gratific has recruited a diverse leadership team with substantive experience in business and the loyalty and rewards sector.

Iain Dunstan
Chief Executive Officer

Iain Dunstan has over 35 years’ experience in leading global financial services, technology and ASX listed companies.

He was also the founder of financial services technology company, Bravura Solutions where he developed technology for a client base of banks and superannuation organisations. He was involved in its ASX listing.

Sarah Fallon
Head of Rewards

Sarah Fallon has over 20 years’ experience leading successful sales and operational teams across Australia, New Zealand and South Africa. A demonstrated history of working in the sales & marketing, advertising, publishing and the loyalty and rewards industry.

Ben Newling
Chief Financial Officer

Ben Newling has more than 20 years’ experience across general management and corporate advisory within investment banking, retail banking and the loyalty and rewards industry. His experience spans equities, capital markets, M&A, finance, legal and HR and ASX listed entities.

Justin Jefferies
Chief Operating Officer

Justin Jefferies has over 30 years of experience in executive roles within the management consulting, financial services, real estate, and software industries. He has led strategy, sales, marketing, finance, legal, risk management, information technology, and human resources in startups and listed companies.

Mark Schoombie
Chief Technology Officer

Mark Schoombie is an accomplished CTO with over 11 years of experience in product innovation and product development in loyalty, rewards, financial services and retail. He has a proven track record in technology delivery that boosts operational efficiency and revenue.

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RISK MANAGEMENT

Gratific is a high-growth business with operations around the world. As a result we address a variety of opportunities and face a range of risks which we consider through our risk management framework.

Risk	Nature of Risk
Funding through macroeconomic uncertainty	<p>There is no certainty the Company will remain sufficiently funded to continue its technology development and invest in customer acquisition.</p> <p>Gratific continually manages its cash position and regularly monitors its investments to balance risk and the timing of returns.</p>

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Risk	Nature of Risk
<p>Competition</p>	<p>The Company has developed a range of software platforms and mobile applications that can be utilised as customer relationship management platforms. The Company competes with other companies in a mature marketplace. Some of these competitors have greater financial and human resource capability than the Company, and as a result may be in a better position to compete and provide services. Although Gratifii has developed a comprehensive and proprietary technology portfolio, there is no guarantee that this value proposition will provide the Company with a competitive advantage over its competitors. There is no assurance that the activities of existing competitors or the entrance of new competitors will not adversely affect the Company's operating results and financial performance, or that Gratifii will be able to keep up with technological developments or fluctuating market conditions as effectively as their competitors. Any adverse impact to Gratifii's operating results and financial performance is likely to have a similarly adverse effect to the financial performance and operating results of the Company.</p> <p>Gratifii continues to research and develop cutting edge technology and functionality to keep us ahead of the market, positioning ourselves as a market innovator rather than a market follower.</p>
<p>New Entrants and Existing Competitors Replicate the Company Platform</p>	<p>Gratifii's business model requires extensive merchant networks and consumer adoption to be successful. While Gratifii aims to be a dominant supplier of consumer engagement technologies in the four regions in which it presently operates, there is no assurance that a competitor with significant financial resources cannot copy what Gratifii has done or bring an alternative product to the market. If new entrants or existing competitors replicate Gratifii platforms, the financial performance of the Company is likely to be adversely affected.</p> <p>Gratifii offers more than just a state-of-the-art platform. We provide expertise in the loyalty environment where we partner with our clients to provide best of class service and service offerings, as well as a rewards network within Australia.</p>
<p>Privacy Regulations</p>	<p>Gratifii takes consumer privacy seriously and has strategies and protections in place to minimise security breaches and to protect data. However, there is no guarantee that these security measures could not be breached. If consumer privacy is breached, the Company may suffer reputational damage or be subject to an action from consumers or regulatory authorities, which is likely to impact the Company's financial results.</p> <p>Mosaic complies with best practises globally for data in general. HTTPS and TLS are used for data in transit and any PII data is encrypted with CLE and TDE. The databases themselves are encrypted.</p>
<p>Data Security</p>	<p>Gratifii has strategies and protections in place to minimise security breaches and to protect data. However, there is no guarantee that these security measures could not be breached. If Gratifii's security measures are breached or the programs are subject to any form of cyber-attacks, then consumers may stop using the products, and the Company may suffer significant reputational damage.</p> <p>Gratifii applies a depth in defence strategy across its technology platform as well securing all data through encryption.</p>

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Risk	Nature Of Risk
<p>Gift Card Security</p>	<p>Gratific generates rewards revenue from selling gift cards via credit cards. Gift cards allow customers to buy products and services online for their cash value. Criminals could redeem gift cards fraudulently. Gift cards sell for small margins. The impact of theft is high if the Company is at fault and Gratific may be required to refund the cardholder.</p> <p>The Company uses 3 Dimension Security (3DS) which is a form of two-factor authentication for the majority of its transactions. Authentication steps include asking the cardholder to provide proof of identity by entering a unique password, an SMS code, or a temporary PIN to complete an online purchase. The Company also uses rules in its payment gateway (Braintree) to disallow atypical transactions that exceed a certain value or number of gift cards, or are from a suspicious locations. This reduces the number of unauthorised transaction chargebacks. An issuing bank becomes liable for fraudulent chargebacks when cardholders complete the authentication steps through 3DS.</p> <p>The Company generates digital gift card vouchers when they are purchased and uses manual controls to review all orders before fulfilling them.</p>
<p>Management and Staff</p>	<p>Gratific's operational success depends on the continuing efforts and retention of its management team and staff. If Gratific is not able to attract and retain new team members, the business may be adversely affected.</p> <p>The Board reviews the incentive structures of key personnel and senior management to ensure their remuneration is in line with the market. The Remuneration Committee is reviewing the long-term incentive plans of all senior management with the view of revising prior to the Annual General Meeting.</p>
<p>Intellectual Property</p>	<p>Gratific has developed and owns all its products and software. The Company has copyright protection over its products and software, but none of these are patentable. These products are complex and work across several Internet, smart phone platforms and software operating systems and so are difficult to recreate; but this will not prevent others from copying the Company's solutions. If the Company's intellectual property rights cannot be protected, have not been protected adequately or are not protected, competitors may utilise the Company's intellectual property, which may adversely affect the Company's ability to compete effectively in the market and the Company's financial performance. While the Company has not, to the best of its knowledge, infringed any third parties' intellectual property rights, the Company may, in the future, face intellectual property infringement claims or litigation. If third parties claim involvement in developing the technology used in the Company's products, or if the Company infringes third party intellectual property, the Company's operations and financial performance may be adversely affected.</p> <p>The Company continues to invest in its intellectual property to stay ahead of its competitors. The unique product features of Gratific's intellectual property acts as an on-going mitigant to this risk.</p>
<p>Third Party Platforms</p>	<p>Gratific's products are reliant on stable internet and 3G, 4G and 5G mobile services. The Company's performance is therefore dependent on the ability of its staff and products to continue to develop and operate on these platforms. Any changes in these platforms and operating systems may adversely affect the Company's ability to deliver services.</p> <p>Gratific has health end point checks across all its infrastructure as well as insights and monitoring on all third-party applications and integrations, allowing us to be proactive in monitoring and supporting our third-party applications.</p>

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Risk	Nature Of Risk
<p>Foreign Exchange Risk</p>	<p>Gratifii is exposed to currency price fluctuations between Australia, New Zealand, Singapore, UAE, and South Africa. The Company's potential exposure relates to foreign exchange rate fluctuations and foreign exchange charges which may result in the price of the Company's securities to fluctuate for reasons unrelated to the Company's financial condition or performance.</p> <p>The Company has over 90% of its cost base in Australian currency, and where practical contracts its expenses in the currency of the jurisdiction. This acts as a natural hedge.</p>
<p>Risk of Software Errors</p>	<p>If the Company fails to identify bugs, operating errors or other defects in software products, these products may not perform properly, causing reputational damage. If the Company identifies errors in its software products, the Company may need to provide updates or software patches to correct these errors, which may be costly and time consuming.</p> <p>Mosaic has a robust development and testing cycle using both manual and automation testing across three environments. This allows us to mitigate the development risks as well as systematic risks. An RFC is performed as well as regression testing is completed before and after every release.</p>
<p>Regulatory</p>	<p>Gratifii is subject to substantial regulatory and legal oversight. The agencies with regulatory oversight include, among others ASIC and the ASX. Failure to comply with legal and regulatory requirements may have a material adverse effect on Gratifii and its reputation among customers and regulators in the market.</p> <p>Gratifii has compliance frameworks and policies in place to manage the risk of non-compliance. The Audit and Risk Committee meet regularly to review these policies with management.</p>
<p>Reputation</p>	<p>Reputation risk may arise through the actions of Gratifii or its employees and adversely affect perception of Gratifii held by the public, customers, shareholders, or regulators. These issues including appropriately dealing with product outages, regulators, potential conflicts of interest, privacy issues among others. Damage to Gratifii's reputation may have an adverse impact on funding and liquidity</p> <p>Gratifii actively manages the above risks by actively monitoring its market perception among customers and shareholders.</p>
<p>Environment and Social</p>	<p>Whilst Gratifii has a relatively small environmental footprint (travel, energy usage and office materials consumption), our actions could deliver negative environmental outcomes.</p> <p>Social risks could arise through human capital issues or health and safety factors.</p> <p>Gratifii's business operations have been certified as carbon neutral by Climate Active and Gratifii is a Climate Active Network member. The Company has implemented policies, systems and controls to reduce the likelihood of social risks impacting any Gratifii business.</p>

Remuneration Report

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

REMUNERATION POLICY

The remuneration policy of the Group has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between Directors, Executives and Shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, performance-based incentives and fringe benefits.
- The Remuneration Committee will review key management personnel packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors.

Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry.

Options or other long term incentives may be issued to Directors to provide a mechanism to participate in the future development of the Group and an incentive for their future involvement with and commitment to the Group.

Key management personnel receive a superannuation guarantee contribution (where applicable) as required if applicable and do not receive any other retirement benefits. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Group and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment, and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting in November 2023. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group and are able to participate in the employee long term incentive plan.

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KEY MANAGEMENT PERSONNEL

The names and positions held by Key Management Personnel (**KMP**) in office at any time during the financial year ended 30 June 2023 are:

Name	Position	Term as KMP
Non-Executive Directors:		
Stephen Borness	Chair and Non-Executive Director	Full year
Bryan Zekulich	Non-Executive Director	Full year
Mike Hill	Non-Executive Director	Full year
Patrina Kerr	Non-Executive Director	Part year (since 1 September 2022)
Executive Directors:		
Iain Dunstan	Chief Executive Officer (CEO) and Managing Director	Full year
Executive KMP:		
Ben Newling	Chief Financial Officer (CFO) and Joint Company Secretary	Part year (since 6 March 2023)
Justin Jefferies	Chief Operating Officer (COO)	Part year (since 6 March 2023)
David Hwang	Company Secretary	Part year (until 9 August 2022)
Maggie Niewidok	Company Secretary	Part year (9 August 2022 until 15 November 2022)

KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration details of the KMP for the year ended 30 June 2023 are set out in the following table:

	Short-Term Benefits	Post-Employment Benefits	Share-Based Payments		Total \$
	Cash Salary And Fees \$	Super annuation \$	Equity-Settled Shares \$	Equity-Settled Options \$	
I Dunstan ⁸	421,875	44,297	-	92,021	558,193
S Borness ⁹	65,041	-	-	-	65,041
M Hill	44,346	4,656	-	-	49,002
B Zekulich ¹⁰	44,346	4,656	-	-	49,002
P Kerr ¹¹	36,955	-	-	-	36,955
B Newling ¹²	79,971	8,397	-	-	88,368
J Jefferies ¹³	89,333	8,434	-	-	97,767
David Hwang ¹⁴	6,071	-	-	-	6,071
Maggie Niewidok ¹⁵	19,191	-	-	-	19,191
	807,129	70,440		92,021	969,590

⁸ Includes a short term incentive payment of \$46,875 in shares as per Appendix 2A on 1 March 2023.

⁹ Amounts paid to Celerity Associates Pty Ltd, an entity related to Mr Borness.

¹⁰ Amounts paid to Alster Australia Pty Ltd, an entity related to Mr Zekulich.

¹¹ Patrina Kerr became a KMP on 1 September 2022.

¹² Ben Newling became a KMP on 6 March 2023.

¹³ Justin Jefferies became a KMP on 6 March 2023.

¹⁴ Amounts paid to Automic Legal Pty Ltd, an entity related to David Hwang. David ceased to be a KMP on 9 August 2022.

¹⁵ Amounts paid to Automic Legal Pty Ltd, an entity related to Maggie Niewidok. Maggie became a KMP on 9 August 2022 and ceased to be a KMP on 15 November 2022.

Remuneration details of the KMP for the year ended 30 June 2022 are set out in the following table:

	Short-Term Benefits	Post-Employment Benefits	Share-Based Payments		Total \$
	Cash Salary And Fees \$	Superannuation \$	Equity-Settled Shares \$	Equity-Settled Options \$	
I Dunstan	375,000	37,500	-	34,199	446,699
S Borness ¹⁶	80,502	-	-	9,489	89,991
M Hill	60,000	6,000	-	3,865	69,865
B Zekulich ¹⁷	60,000	6,000	-	3,865	69,865
D Hwang ¹⁸	68,500	-	-	-	68,500
	644,002	49,500	-	51,418	744,920

Note: Amount of \$12,502 credited to Non-Executive Director Fees, however FY22 unchanged due to consistency with comparative year. The adjustment is reflected in other income in FY23.

PERFORMANCE INCOME AS A PROPORTION OF TOTAL INCOME

A short-term incentive of \$46,875 was paid in FY23 to Iain Dunstan. No bonuses were paid in FY22.

OPTIONS ISSUED AS PART OF REMUNERATION

The number of options over ordinary shares granted as compensation to key management personnel during the reporting period and the 2022 comparative period are set out below:

	Balance at 1 July 2022 No.	Granted As Remuneration No.	Expired No.	Converted No.	Balance at 30 June 2023 No.
I Dunstan	19,711,299	8,747,559	(7,930,911)	(2)	20,527,945
M Hill	1,500,000	2,500,000	-	-	4,000,000 ¹⁹
B Zekulich	1,500,000	2,500,000	-	-	4,000,000 ¹⁹
S Borness	1,500,000	2,500,000	-	-	4,000,000 ¹⁹
J Jefferies ²⁰	4,750,000	5,250,000	-	-	10,000,000
	28,961,299	21,497,559	(7,930,911)	(2)	42,527,945

	Balance at 1 July 2021 No.	Granted As Remuneration No.	Expired No.	Converted No.	Balance at 30 June 2022 No.
I Dunstan	24,811,299	900,000	-	(6,000,000)	19,711,299
M Hill	1,500,000	-	-	-	1,500,000
B Zekulich	1,500,000	-	-	-	1,500,000
S Borness	-	1,500,000	-	-	1,500,000
	27,811,299	2,400,000	-	(6,000,000)	24,211,299

¹⁶ Amounts paid to Celerity Associates Pty Ltd, an entity related to Mr Borness.

¹⁷ Amounts paid to Alster Australia Pty Ltd, an entity related to Mr Zekulich.

¹⁸ Amounts paid to Automic Legal Pty Ltd, an entity related to David Hwang. David ceased to be a KMP on 9 August 2022.

¹⁹ Options were subsequently cancelled on 14 August 2023.

²⁰ Justin Jefferies became a KMP on 6 March 2023.

The options on hand at 30 June 2023 listed above have the following terms attached:

Holder	Grant Date	Expiry Date	Exercise Price	Number Under Option
I Dunstan	12 February 2020	12 February 2024	\$0.05	5,325,284
I Dunstan	13 February 2021	13 February 2024	\$0.03	5,555,104
B Zekulich	13 February 2021	13 February 2024 ²¹	\$0.03	1,500,000
M Hill	13 February 2021	13 February 2024 ²¹	\$0.03	1,500,000
J Jefferies	11 March 2021	11 March 2026	\$0.03	2,777,552
J Jefferies	22 September 2021	30 June 2026	\$0.04	1,750,000
I Dunstan	15 November 2021	1 September 2026	\$0.04	900,000
S Borness	15 November 2021	1 September 2026 ²¹	\$0.04	1,500,000
J Jefferies	12 May 2022	11 March 2026	\$0.02	222,448
I Dunstan	11 November 2022	11 November 2027	\$0.028	2,136,653
B Zekulich	11 November 2022	11 November 2027 ²¹	\$0.028	647,471
M Hill	11 November 2022	11 November 2027 ²¹	\$0.028	647,471
S Borness	11 November 2022	11 November 2027 ²¹	\$0.028	647,471
J Jefferies	11 November 2022	11 November 2027	\$0.028	2,136,653
I Dunstan	11 November 2022	11 November 2028	\$0.03	6,610,902
B Zekulich	11 November 2022	11 November 2028 ²¹	\$0.03	1,852,529
M Hill	11 November 2022	11 November 2028 ²¹	\$0.03	1,852,529
S Borness	11 November 2022	11 November 2028 ²¹	\$0.03	1,852,529
J Jefferies	11 November 2022	11 November 2028	\$0.03	3,113,347
I Dunstan	11 November 2022	11 November 2032	-	2

²¹ Options cancelled on 14 August 2023.

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SHARE HOLDINGS

The number of securities in the Company held by each of the KMP, including their related parties for the year ended 30 June 2023 are set out in the following table:

	Balance At Start Of The Period No.	Received As Part Of Remuneration No.	Additions No.	Disposals No.	Balance At End Of The Period No.
I Dunstan	11,787,491	1,987,520	300,000	-	14,075,011
S Borness	2,000,000	-	6,820,856	-	8,820,856
M Hill	2,500,000	-	4,756,428	-	7,256,428
B Zekulich	6,538,461	-	3,861,094	-	10,339,555
P Kerr ²²	-	-	-	-	-
B Newling ²³	-	-	-	-	-
J Jefferies ²⁴	-	-	1,493,040	-	1,493,040
	22,825,952	1,987,520	17,171,418	-	41,984,890

The number of securities in the Company held by each of the key management personnel, including their related parties, for the year ended 30 June 2022 are set out in the following table:

	Balance At Start Of The Period No.	Received As Part Of Remuneration No.	Additions No.	Disposals No.	Balance At End Of The Period No.
I Dunstan	5,787,491	-	6,000,000	-	11,787,491
S Borness	2,000,000	-	-	-	2,000,000
M Hill	2,500,000	-	-	-	2,500,000
B Zekulich	5,000,000	-	1,538,461	-	6,538,461
	15,287,491	-	7,538,461	-	22,825,952

²² Patrina Kerr became a KMP on 1 September 2022.

²³ Ben Newling became a KMP on 6 March 2023.

²⁴ Justin Jefferies became a KMP on 6 March 2023. Additions to share holdings and options granted as remuneration reflects balance of options on hand as of that date.

SHARE OPTIONS

Details of unissued shares or interests of Gratifi under option at the date of this report are:

Grant Date	Number Under Option	Class Of Shares	Exercise Price	Expiry Date
12 February 2020	7,100,379	Ordinary shares	\$0.050	12 February 2024
11 March 2021	5,555,104	Ordinary shares	\$0.030	11 March 2026
13 February 2021	5,555,104	Ordinary shares	\$0.030	13 February 2024
22 September 2021	2,900,000	Ordinary shares	\$0.040	30 June 2026
15 November 2021	900,000	Ordinary shares	\$0.040	1 September 2026
12 May 2022	222,448	Ordinary shares	\$0.020	11 March 2026
19 August 2022	540,000	Ordinary shares	\$0.020	19 August 2025
11 November 2022	7,704,901	Ordinary shares	\$0.020	11 November 2027
11 November 2022	15,090,007	Ordinary shares	\$0.020	11 November 2028
11 November 2022	2	Ordinary shares	\$0.000	11 November 2032
TOTAL	45,567,945			

SERVICE AGREEMENTS

Remuneration and other terms of employment for KMP are documented in Executive Service Agreements. Details of current Executive KMP are set out below:

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<p>Iain Dunstan</p> <hr style="border: 0; border-top: 1px solid white; margin: 5px 0;"/> <p>Managing Director / Chief Executive Officer</p>	<p>Ben Newling</p> <hr style="border: 0; border-top: 1px solid white; margin: 5px 0;"/> <p>Chief Financial Officer and Company Secretary</p>	<p>Justin Jefferies</p> <hr style="border: 0; border-top: 1px solid white; margin: 5px 0;"/> <p>Chief Operating Officer</p>
<p>Agreement Commenced: 17 April 2020 Terms of engagement: Ongoing</p> <p>Details:</p> <p>Termination of Employment</p> <ul style="list-style-type: none"> • By either party by giving 1 month's notice; or • Immediately on payment in lieu of notice of if any conditions for serious misconduct, breach of contract or repeated absence without explanation. <p>Equity Compensation</p> <ul style="list-style-type: none"> • Eligible to participate in the Company's long term incentive plan. 	<p>Agreement Commenced: 6 March 2023 Terms of engagement: Ongoing</p> <p>Details:</p> <p>Termination of Employment</p> <ul style="list-style-type: none"> • By either party by giving 3 months' notice; or • Immediately on payment in lieu of notice of if any conditions for serious misconduct, breach of contract or repeated absence without explanation. <p>Equity Compensation</p> <ul style="list-style-type: none"> • Eligible to participate in the Company's long term incentive plan. 	<p>Agreement Commenced: 22 January 2021 Terms of engagement: Ongoing</p> <p>Details:</p> <p>Termination of Employment</p> <ul style="list-style-type: none"> • By either party by giving 1 month's notice; or • Immediately on payment in lieu of notice of if any conditions for serious misconduct, breach of contract or repeated absence without explanation. <p>Equity Compensation</p> <ul style="list-style-type: none"> • Eligible to participate in the Company's long term incentive plan.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

AUDITOR

MNSA Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors.



Stephen Borness
Non-Executive Chair

Date: 18 September 2023

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Auditor's Independence Declaration

Sydney | Melbourne | Canberra



**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GRATIFIC LIMITED AND CONTROLLED ENTITIES
ABN 47 125 688 940**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Gratific Limited.

As the auditor for the audit of the financial report of Gratific Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

MNSA PTY LTD
MNSA Pty Ltd

Mark Schiliro
Director

Sydney
18th September 2023

MNSA Pty Ltd
ABN 59 133 805 400

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Financial Statements

Consolidated Statement of Profit & Loss or Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
Revenue			
Rewards		18,879,682	8,740,578
Loyalty Services		8,585,748	-
Platform		2,454,019	2,429,439
Total Ordinary Revenue	5	29,919,449	11,170,017
Cost of Sales	6	(24,887,150)	(8,537,449)
Gross Profit		5,032,299	2,632,568
Other operating revenue	7	16,318	924,882
Other non-operating	7	281,078	-
Expenses			
Administrative and other corporate costs	8	(2,757,420)	(2,322,454)
Depreciation and amortisation		(1,596,558)	(931,088)
Finance costs		(216,551)	(496,008)
Employee benefits expense		(4,394,525)	(2,063,055)
Share-based payment expense		(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	9	-	-
Net (loss) after income tax for the year attributable to the owners of Gratifi Limited and Controlled Entities		(3,812,424)	(2,433,584)
Other comprehensive income			
Foreign currency translation		135,018	15,763
Loss on disposal of subsidiaries		(155,881)	-
Total comprehensive (loss) for the year attributable to the owners of Gratifi Limited and Controlled Entities		(3,833,287)	(2,417,821)
		Cents	Cents
Basic (loss)/earnings per share	35	(0.37)	(0.37)
Diluted (loss)/earnings per share	35	(0.35)	(0.37)

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2023

	Note	30 June 2023 \$	30 June 2022 \$
Assets			
Current Assets			
Cash and cash equivalents	10	1,686,611	2,069,958
Trade and other receivables	11	1,266,543	1,408,866
Inventories	12	653,777	411,965
Other assets	13	1,659,783	329,761
Total Current Assets		5,266,714	4,220,550
Non-Current Assets			
Property, plant and equipment	14	252,835	431,491
Intangibles	15	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	16	6,483,673	4,447,605
Borrowings	17	896,551	2,947,797
Lease liabilities	18	166,315	158,514
Provisions	19	273,968	211,323
Acquisition Liability	30	807,692	-
Deferred revenue	20	1,729,050	333
Total Current Liabilities		10,357,249	7,765,572
Non-Current Liabilities			
Borrowings	17	757,000	133,597
Lease liabilities	18	6,570	172,885
Provisions	19	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	21	46,868,617	40,588,632
Reserves	22	42,517	(58,704)
Accumulated losses	23	(38,799,401)	(35,033,058)
Total equity		8,111,733	5,496,870

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated	Issued Capital \$	Foreign currency reserve \$	Option Reserve \$	Accumulated Losses \$	Total equity \$
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)
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

Consolidated	Issued Capital \$	Foreign currency reserve \$	Option Reserve \$	Accumulated Losses \$	Total equity \$
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)
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

The accompanying notes form part of the financial statements.

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Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	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	33	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)
Payments 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	21	3,094,798	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		(174,822)	(98,379)
Net cash from / (used in) 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 financial year		2,069,958	2,227,915
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial year	10	1,686,611	2,069,958

The accompanying notes form part of the financial statements.

Notes to the Financial Statements for the year ended 30 June 2023

NOTE 1. GENERAL INFORMATION

The financial statements cover Gratific Limited and Controlled Entities as a Group consisting of Gratific Limited and Controlled Entities and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Gratific Limited and Controlled Entities' functional and presentation currency.

Gratific Limited and Controlled Entities is a listed public company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 September 2023. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New and Amended Accounting Policies Adopted by the Group

AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

The Entity adopted AASB 2020-3 which makes some small amendments to a number of standards including the following: AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141.

The adoption of the amendment did not have a material impact on the financial statements.

AASB 2021-7a: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

AASB 2021-7a makes various editorial corrections to a number of standards effective for reporting periods beginning on or after 1 January 2022. The adoption of the amendment did not have a material impact on the financial statements.

Going concern

For the year ended 30 June 2023, the Consolidated Entity incurred an after-tax loss after tax of \$3,812,424 (2022: loss of \$2,433,584), had net cash inflows from operating activities of \$450,766 (2022: \$176,141), and at 30 June 2023 had a deficiency of current assets in relation to current liabilities of \$5,090,535 (2022: \$3,545,022) and net assets of \$8,111,733 (2022: \$5,496,870). As the entity has incurred a loss and has a deficiency in the net current liabilities position this may cast uncertainty over the Group's ability to continue as a going concern.

The Directors believe it is appropriate to prepare the financial report on a going concern basis after considering the following factors:

- Cash balance of \$1.69 million, which followed improved net operating cashflow in the second half of the year;
- \$0.9 million received as a subsequent event through tranche 2 of a capital raise post shareholder approval on 24 August 2023;
- The execution of a material contract with RACV on 13 June 2023, which is expected to generate approximately \$8.8 million of revenue in FY24;
- Recent scale related cost benefits with the integration of shared services across all business units; and
- Planned wind back of Mosaic spend in FY24 due to the platform reaching a standard that clients can be onboarded with minimal additional development / customisations.

Notwithstanding challenging equity capital markets, the Directors note the Company was able to complete two capital raises within the year.

In the Directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, and that it is appropriate to prepare these accounts on a going concern basis.

As a result, the accounts have been prepared on the basis that the Consolidated Entity can meet its commitments as and when they fall due and can therefore continue business activities and can realise its assets and extinguish its liabilities in the ordinary course of business. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Notes to the Financial Statements (continued)

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gratific Limited and Controlled Entities ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Gratific Limited and Controlled Entities and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction

provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Gratific Limited and Controlled Entities functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the

consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group:

- identifies the contract with a customer; identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

Amounts received that are subject to the constraining principle are recognised as a refund liability.

The Group provides customer engagement technology that delivers end-to-end solutions for businesses to engage with their customers. Its primary offering, Mosaic, is a cloud-based digital loyalty and rewards platform and is Gratifi's business to business application offering. With mobile payment, ordering, booking and local offer capability, the Mosaic platform will be the gateway to new digital lifestyle rewards programs. Performance obligations for contracts with customers are generally satisfied at a point in time, and revenue is recognised accordingly.

Where payment is received by the Group in advance of a performance obligation being satisfied, a contract liability is recognised in the Statement of Financial Position. Where a performance obligation has been satisfied and the Group is yet to issue an invoice to the customer, a contract asset is recognised in the Statement of Financial Position.

Where a performance obligation has been satisfied and an invoice has been issued to a customer but not yet paid, a trade receivable is recognised in the Statement of Financial Position.

Transaction prices for provision of goods and services are agreed within Contract with Customers. The Group determines its transaction prices based on the cost of the Group in developing the technology required to provide the service, as well as the cost of supplying the good or service itself, plus a margin to cover

operating costs and return requirement of the Group.

The impairment of contract assets and trade receivables for Contracts with Customers is assessed by the Group on an ongoing basis and allowed for within the Group's provision for doubtful debts calculation.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Notes to the Financial Statements (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective

interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment 3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition.

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets

are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the noncontrolling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method).

In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not

result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future Cashflows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent Cashflows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Notes to the Financial Statements (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; or certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including nonmonetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment.

No account is taken of any other vesting conditions. The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods. The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The

ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree.

For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any noncontrolling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirers previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date.

The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Notes to the Financial Statements (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Gratific Limited and Controlled Entities, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ("GST") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cashflows are presented on a gross basis. The GST components of cashflows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cashflows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level

1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cashflows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

This involves fair value less costs of disposal or value in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future Cashflows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

NOTE 4. OPERATING SEGMENTS

Geographic segment information

Historically, the Group has been organised into three geographical segments: Australia and New Zealand, South Africa and Singapore.

Consolidated - 2023	Australia & New Zealand \$	South Africa \$	Singapore \$	Total \$
Revenue				
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
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	18,958,794	292,985	10,177	19,261,956
Total assets	-	-	-	-
Liabilities				
Segment liabilities	11,160,853	(10,417)	(213)	11,150,223
Total liabilities	-	-	-	-
Consolidated - 2022	Australia & \$	South Africa \$	Singapore \$	Total \$
Revenue				
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	10,052,345	1,978,612	63,942	12,094,899
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	(3,019,772)	587,762	(1,574)	(2,433,584)
Assets				
Segment assets	13,174,421	395,997	8,964	13,579,382
Total assets	-	-	-	-
Liabilities				
Segment liabilities	8,141,932	(62,446)	3,026	8,082,512
Total liabilities	-	-	-	-

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NOTE 5. REVENUE

Consolidated	2023 \$	2022 \$
Rewards	18,879,682	8,740,578
Loyalty Services	8,585,748	-
Platform (SaaS)	2,454,019	2,429,439
Total revenue	29,919,449	11,170,017

NOTE 6. COST OF SALES

Consolidated	2023 \$	2022 \$
Rewards	17,480,487	7,825,470
Loyalty Services	5,959,423	-
Platform (SaaS)	1,447,240	711,979
Total revenue	24,887,150	8,537,449

NOTE 7. OTHER REVENUE

Consolidated	2023 \$	2022 \$
Net gain on disposal of property, plant and equipment	653	-
Government subsidies ²⁴	-	82,699
Research and development rebates	-	839,810
Recognising reduced purchase price of acquisition through profit or loss and other comprehensive income	281,078	-
Interest Income	3,163	2,168
Sundry Income	12,502	205
Total Other Revenue	297,396	924,882

²⁴ Amounts include JobKeeper and ATO PAYG Relief as a result of the Covid pandemic.

NOTE 8. ADMINISTRATIVE AND OTHER CORPORATE COSTS

Consolidated	2023 \$	2022 \$
Bank fees	17,257	7,512
Director fees	200,000	193,183
IT	386,562	326,215
Marketing	66,752	30,760
Miscellaneous staff costs	40,434	5,246
Office expense	479,844	298,596
Professional costs	860,586	734,122
Corporate and listing costs	558,079	618,360
Travel costs	136,927	71,482
Other	10,979	36,978
Total administrative and other corporate costs	2,757,420	2,322,454

NOTE 9. INCOME TAX EXPENSE/(BENEFIT)

2023	Australia \$	South Africa \$	Singapore \$	New Zealand \$	Total \$
Profit from continuing operations before income tax expense	(3,917,039)	113,831	23,578	(32,794)	(3,812,424)
Tax at the local entity rate ²⁵	(979,260)	30,734	4,008	(9,182)	(953,700)
Add tax effect of:					
Other non-allowable items	351,917	1,121	-	3,574	356,612
Less tax effect of:					
Other non-assessable items	(230,468)	(10,711)	-	-	(241,179)
Other deductible items	(214,191)	(11,714)	-	(772)	(226,677)
Tax benefits available for future tax liabilities	1,072,002	(9,430)	(4,008)	6,380	1,064,944
Total income tax expense	-	-	-	-	-

2022	Australia \$	South Africa \$	Singapore \$	Total \$
Profit from continuing operations before income tax expense	(3,019,772)	587,762	(1,574)	(2,433,584)
Tax at the local entity rate	(754,943)	164,573	(268)	(590,638)
Add tax effect of:				
Other non-allowable items	203,155	11,108	315	214,578
Less tax effect of:				
Other non-assessable items	(93,834)	(4,596)	-	(98,430)
Other deductible items	(100,501)	-	-	(100,501)
Tax benefits available for future tax liabilities	746,123	(171,085)	(47)	574,991
Total income tax expense	-	-	-	-

²⁵ Tax at the local entity rate: Australia - 25%, New Zealand - 28%, South Africa - 27%, Singapore - 17%.

NOTE 10. CASH AND CASH EQUIVALENTS

Consolidated	2023	2022
	\$	\$
Current assets		
Cash on hand	235	1,222
Cash at bank	1,800,432	2,068,736
Bank Overdrafts	(114,056)	-
Total cash and cash equivalents	1,686,611	2,069,958

NOTE 11. TRADE AND OTHER RECEIVABLES

Consolidated	2023	2022
	\$	\$
Current		
Trade receivables	1,209,641	301,789
Less: Allowance for expected credit losses	(26,200)	(26,200)
Total trade receivables	1,183,441	275,589
Other receivables	83,102	293,467
Research and development rebates	-	839,810
Total other receivables	83,102	1,133,277
Total trade and other receivables	1,266,543	1,408,866

Consolidated	2023	2022
	\$	\$
Third parties	1,183,441	275,589
Trade receivables not past due and not impaired	466,747	105,206

Receivables that are past due but not impaired

The ageing of trade receivables that are past due but not impaired at the reporting date is as follows:

Consolidated	2023	2022
	\$	\$
Less than 30 days overdue	481,492	71,684
31 – 60 days overdue	162,791	54,294
Over 60 days overdue	72,411	44,405
Trade receivables not past due and not impaired	716,694	170,383

Allowance for expected credit losses

The Group has recognised a loss of \$nil (2022: \$nil) in profit or loss in respect of the expected credit losses for the year ended 2023.

Movements in the allowance for expected credit losses are as follows:

Consolidated	2023	2022
	\$	\$
Opening balance	26,200	26,200
Additional provisions recognised	-	-
Trade receivables not past due and not impaired	26,200	26,200

NOTE 12. INVENTORIES

Consolidated	2023 \$	2022 \$
Current assets		
Inventories on hand	653,777	411,965

NOTE 13. OTHER ASSETS

Consolidated	2023 \$	2022 \$
Current assets		
Prepayments	554,853	182,610
Other deposits	138,079	132,095
Funds in transit	966,851	15,056
Total other assets	1,659,783	329,761

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Consolidated	2023 \$	2022 \$
Non-current assets		
Property under lease (right-of-use asset)	151,053	295,967
Office equipment – at cost	432,936	497,964
Less: Accumulated depreciation	(331,154)	(362,440)
Total office equipment	101,782	135,524
Total property, plant and equipment	252,835	431,491

Reconciliations

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

Consolidated	Office equipment	Property under lease	Total
Balance at 1 July 2021	155,701	90,531	246,232
Additions	73,265	336,965	410,230
Disposals	(1,620)	(2,570)	(4,190)
Depreciation expense	(32,717)	(120,112)	(152,829)
Translation of opening balances	(59,105)	(8,847)	(67,952)
Balance at 30 June 2022	135,524	295,967	431,491
Additions	3,682	-	3,682
Additions through business combinations - at cost (note 30)	58,512	-	58,512
Additions through business combinations - accumulated depreciation (note 30)	(46,681)	-	(46,681)
Disposals – at cost	(127,222)	-	(127,222)
Disposals – accumulated depreciation	122,663	-	122,663
Depreciation expense	(44,015)	(144,568)	(188,583)
Translation of opening balances	(681)	(346)	(1,027)
Balance at 30 June 2023	101,782	151,053	252,835

NOTE 15. INTANGIBLE ASSETS

Consolidated	2023 \$	2022 \$
Non-current assets		
Goodwill at cost	6,304,429	3,274,987
Capitalised development – at cost	9,860,809	6,651,308
Less: Accumulated amortisation	(2,422,831)	(998,954)
Total capitalised development	7,437,978	5,652,354
Restraint of trade	569,885	569,885
Less: Accumulated amortisation	(569,885)	(569,885)
Total restraint of trade	-	-
Customer list	300,000	300,000
Less: Accumulated amortisation	(150,000)	(150,000)
Less: Impairment	(150,000)	(150,000)
Total customer list	-	-
Total intangible assets	13,742,407	8,927,341

Mosaic Enterprise Engagement Platform Capitalisation policy

During the previous financial year, the Company made an investment in its Mosaic platform to better service clients. The Company has continued to add to this platform and enhance its offering to customers. The Company is of the view that due to the current nature of its investment in the platform, and the efficiency value added, that there are no indicators of impairment on this investment.

The Company has determined that during the continuous development of the platform, features developed for the platform which are either ready for customer use or are earning revenue are to be amortised over 5 years on a straight-line basis.

Impairment testing

There are no observable factors, internal or external to the Company, that indicate the Mosaic platform is required to be impaired.

Reconciliation of net carrying values

Consolidated	2023 \$	2022 \$
Goodwill		
Balance at beginning of the year	3,274,987	1,643,909
Additions	3,029,442	1,631,078
Balance at end of the year	6,304,429	3,274,987
Other intangible assets		
Balance at beginning of the year	5,652,354	2,882,034
Additions	3,209,501	3,547,037
Amortisation expense	(1,407,975)	(776,717)
Translation of opening balances	(15,902)	-
Balance at end of the year	7,437,978	5,652,354
Total	13,742,407	8,927,341

NOTE 16. TRADE AND OTHER PAYABLES

Consolidated	2023 \$	2022 \$
Current liabilities		
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 trade and other payables	6,483,673	4,447,605

NOTE 17. BORROWINGS

Consolidated	2023 \$	2022 \$
Current liabilities		
Loans	119,091	12,710
Convertible notes payable	777,460	2,935,087
Total current borrowings	896,551	2,947,797
Non-current liabilities		
Loans	-	133,597
Convertible notes payable	757,000	-
Total non-current borrowings	757,000	133,597
Total borrowings	1,653,551	3,081,394

Refer to Note 34 for further information on financial instruments.

NOTE 18. LEASE LIABILITIES

Consolidated	2023 \$	2022 \$
Current liabilities		
Lease liability	166,315	158,514
Non-current liabilities		
Lease liability	6,570	172,885
Total lease liabilities	172,885	331,399

Refer to Note 34 for further information on financial instruments.

2022	Less than 6 months \$	6 months to 1 year \$	1 to 5 years \$	5+ years \$	Total \$
Lease payments	84,240	86,486	6,594	-	177,320
Finance charges	(3,132)	(1,279)	(24)	-	(4,435)
Net present values	81,108	85,207	6,570	-	172,885

Refer to Note 34 for further information on financial instruments.

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NOTE 19. PROVISIONS

Consolidated	2023	2022
	\$	\$
Current liabilities		
Employee benefits – annual leave	301,763	152,206
Income tax	(27,795)	59,117
Total current provisions	273,968	211,323
Non-current liabilities		
Employee benefits – long service leave	28,247	10,458
Other provisions	1,157	-
Total non-current provisions	29,404	10,458
Total provisions	303,372	221,781

NOTE 20. DEFERRED REVENUE

Consolidated	2023	2022
	\$	\$
Current liabilities		
Deferred revenue	1,729,050	333

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that was unsatisfied at the end of the reporting period was \$1,729,050 as at 30 June 2023 (2022: \$333) and is expected to be recognised as revenue in future periods as follows:

Consolidated	2023	2022
	\$	\$
Within 12 months	1,729,050	333

NOTE 21. ISSUED CAPITAL

Consolidated	2023 Shares	2023 \$	2022 Shares	2022 \$
Ordinary shares – fully paid	1,213,427,512	50,688,630	868,087,204	44,141,123
Capital raising costs	-	(3,820,013)	-	(3,552,491)
Total issued capital	1,213,427,512	46,868,617	868,087,204	40,588,632

Movements in ordinary share capital

Consolidated	2023 Shares	2023 \$	2022 Shares	2022 \$
At the beginning of the period	868,087,204	40,588,632	610,425,090	34,027,091
Share placement	184,744,302	3,094,798	137,249,995	3,568,500
Settlement of business acquisition	19,230,769	346,154	-	-
Options converted	3,480,560	43,507	6,000,000	120,000
Convertible notes converted	137,884,677	3,063,048	114,412,119	3,136,572
Costs of issue	-	(267,522)	-	(263,531)
Closing balance	1,213,427,512	46,868,617	868,087,204	40,588,632

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2022 Annual Report.

NOTE 22. RESERVES

Consolidated	2023	2022
	\$	\$
Foreign currency reserve	(374,412)	(509,430)
Options reserve	416,929	450,726
Total reserves	42,517	(58,704)

Consolidated	2023	2022
	\$	\$
Option reserve		
Opening balance	450,726	411,502
Additions	168,165	159,224
Converted into ordinary shares	-	(120,000)
Lapsed	(201,962)	-
Closing balance	416,929	450,726
Foreign currency translation reserve		
Opening balance	(509,430)	(525,193)
Foreign currency translation	135,018	15,763
Closing balance	(374,412)	(509,430)
Total Reserves	42,517	(58,704)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Options reserve

The option reserve represents the fair value of options granted to employees and suppliers for services provided to the Group. The fair value of options is expensed over the vesting period or during the period in which the services are received.

NOTE 23. ACCUMULATED LOSSES

Consolidated	2023	2022
	\$	\$
Accumulated losses at the beginning of the financial year	(35,033,058)	(32,599,474)
(Loss) after income tax expense for the year	(3,812,424)	(2,433,584)
Loss on derecognition of subsidiaries	(155,881)	-
Lapsing of options	201,962	-
Accumulated losses at the end of the financial year	(38,799,401)	(35,033,058)

NOTE 24. DIVIDENDS

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

NOTE 25. KEY MANAGEMENT PERSONNEL

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Consolidated	2023	2022
	\$	\$
Short-term employee benefits	807,129	644,002
Post-employment benefits	70,440	49,500
Share-based payments	92,021	51,418
Total key management benefits	969,590	744,920

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration report section of the Directors' report.

Other transactions with Key Management Personnel

Certain key management personnel (KMP), or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities. Some of these entities transacted with the Group during the year. The terms and conditions of the transactions with KMP and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. Details of these transactions are detailed in the table below.

Sale of good and services	2023	2022
	\$	\$
SAAS Licence and Service Fees ¹	22,236	-

¹ Sale of Mosaic platform and services to the FAB Group, an entity controlled by a related entity of Patrina Kerr.

Purchase of good and services	2023	2022
	\$	\$
Consulting fees ²	11,439	-

² Consulting fees paid to Patrina Kerr pursuant to the acquisition of Hachiko Pty Ltd.

NOTE 26. REMUNERATION OF ADVISORS

During the financial year the following fees were paid or payable for services provided by MNSA Pty Ltd, the auditor of the company:

Consolidated	2023	2022
	\$	\$
Audit services – MNSA Pty Ltd		
Audit or review of the financial statements	120,000	120,000

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NOTE 27. CONTINGENT ASSETS, LIABILITIES, AND GUARANTEES

The Group is unaware of any contingent assets or guarantees that may have a material impact on the Group's financial position.

NOTE 28. RELATED PARTY TRANSACTIONS**Parent entity**

Gratifik Limited and Controlled Entities is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the Remuneration report included in the Directors' report.

NOTE 29. PARENT ENTITY INFORMATION

	2023	2022
	\$	\$
Consolidated		
Assets		
Current assets	1,010,264	711,802
Non-current assets	43,708,946	39,957,709
Total assets	44,719,210	40,669,511
Liabilities		
Current liabilities	(691,585)	(3,448,288)
Non-current liabilities	(2,613,799)	(320,613)
Total liabilities	(3,305,384)	(3,768,901)
Net assets	41,413,826	36,900,610
	2023	2022
	\$	\$
Consolidated		
Equity		
Issued capital	84,264,220	77,830,388
Reserves	416,928	450,728
Accumulated losses	(43,267,322) ²⁶	(41,380,506)
Total equity	41,413,826	36,900,610
	2023	2022
	\$	\$
Consolidated		
Financial performance		
(Loss)/profit for the year	(2,088,778)	(2,132,613)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

²⁶ The movement in accumulated losses includes a transfer from the options reserve of \$201,962 relating to lapsed options during the year.

NOTE 30. BUSINESS COMBINATIONS

On 22 August 2022, Gratific 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 total value of \$3,293,846, of which \$2,140,000 was settled in cash, \$346,154 settled in shares subject to a 12-month escrow period, and a further \$807,692 which was settled in shares on 29 August 2023.

	\$
Consideration transferred	
Cash consideration paid	2,140,000
Consideration settled in shares	346,154
Consideration payable in shares	807,692
Total consideration transferred	3,293,846
Less: net assets acquired in Hachiko Pty Ltd at the date of acquisition	(264,404)
Goodwill carried forward	3,029,442

The purchase price of Hachiko Pty Ltd was based on a locked box date of 30 June 2022. As a result, the fair value of the identifiable assets and liabilities are determined as at 1 July 2022 and detailed as follows:

	1 July 2022
	\$
Consideration transferred	
Cash and cash equivalents	466,272
Trade and other receivables	1,820,916
Other assets	301,100
Plant and equipment	11,831
Trade and other payables	(670,948)
Deferred revenue	(1,564,644)
Provisions	(100,123)
Acquisition-date fair value of the total consideration transferred	264,404

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NOTE 31. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Entity name	Principal place of business / country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
CSB Engage SA (Pty) Ltd	South Africa	100%	100%
Gratifi Australia Pty Ltd (formerly CSB Engage (Aus) Pty Ltd)	Australia	100%	100%
CSB Engage Asia Pte Ltd	Singapore	100%	100%
CSB Engage Pte Ltd	Singapore	100%	100%
Neat Tickets Pty Ltd	Australia	100%	100%
Hachiko Pty Ltd	Australia	100%	-
Hachiko NZ Limited	New Zealand	100%	-
Rewards 365 Pty Ltd	Australia	100%	-
Onit Media Pty Ltd	Australia	100%	100%

NOTE 32. EVENTS AFTER THE REPORTING PERIOD

The Group finalised the second tranche of its capital raise on 29 August 2023 post shareholder approval at the Extraordinary General Meeting on 24 August 2023, resulting in the issue of 56.5 million shares at \$0.016 per share.

Also pursuant to shareholder approval at the Extraordinary General Meeting, the Company issued 53.8 million shares to the vendors of Hachiko pursuant to the share sale agreement between the parties dated 11 August 2022.

Further, pursuant to the ASX release on 7 August 2023, 12 million options were cancelled.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 33. CASHFLOW INFORMATION

Consolidated	2023	2022
	\$	\$
(Loss)/profit after income tax expense for the year	(3,812,424)	(2,433,584)
Adjustments for:		
Depreciation and amortisation	1,596,558	931,088
Share-based payments	168,165	159,224
Foreign exchange differences	8,900	19,205
Finance costs	216,551	496,008
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	142,323	(807,541)
(Increase)/decrease in inventories	(241,812)	13,112
(Increase) in other assets	(1,330,022)	(683,185)
Increase in trade and other payables	1,911,165	2,267,975
Increase in deferred revenue	1,728,717	-
Increase in trade and other provisions	62,645	213,839
Net cash from operating activities	450,766	176,141

NOTE 34. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts payable.

(i) Treasury Risk Management

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of credit risk policies and future cash flow requirements.

(ii) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are liquidity risk, credit risk and market risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The maximum exposure to credit risk to recognised financial assets, at reporting date is the carrying amount, net of any provisions for impairment of those assets as disclosed in the statement of financial position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single receivable or group of receivables.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future Cashflows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from borrowings. At the reporting date, the interest rate profile of the Group's and Company's interest-bearing financial instruments was:

Consolidated	2023	2022
	\$	\$
Current	1,174,667	2,947,797
Non-current	757,000	133,597
Total exposure	1,931,667	3,081,394

Consolidated	2023	2022
	\$	\$
Fixed rate instruments – borrowing including related parties	1,653,551	3,065,774
Variable rate instruments – credit cards	164,060	15,620
Variable rate instruments – Bank overdrafts	114,056	-
Total exposure	1,931,667	3,081,394

Interest on financial instruments at fixed rates are fixed until the maturity of the instruments and are not subject to interest rate risk.

The sensitivity analysis for interest rate risk is not disclosed as the Group does not expect any significant effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

Notes to the Financial Statements (continued)

(iv) Foreign currency risk

The Group's foreign exchange risk results mainly from Cashflows from transactions denominated in foreign currencies.

At present, the Group does not have any formal policy for hedging against currency risk. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, primarily Singapore Dollar ("SGD"), New Zealand Dollar ("NZD") and South African Rand ("ZAR").

The Group's currency exposures to the AUD, SGD, NZD and ZAR at the reporting date were as follows:

2023 – Consolidated	AUD	ZAR	SGD	NZD	Total
All figures are in AUD	\$	\$	\$	\$	\$
Financial assets					
Trade receivables	1,050,820	97,149	6,832	28,640	1,183,441
Other receivables (excluding prepayments and tax recoverable)	83,102	-	-	-	83,102
Cash and cash equivalents	1,493,185	127,328	1,075	65,023	1,686,611
Total financial assets	2,627,107	224,447	7,907	93,663	2,953,154
Financial liabilities					
Trade payables	(5,191,972)	14,553	213	(50,413)	(5,227,619)
Other payables	(1,248,539)	16	-	(7,531)	(1,256,054)
Borrowings	(1,653,551)	-	-	-	(1,653,551)
Total financial liabilities	(8,094,062)	14,569	213	(57,944)	(8,137,224)
Net financial assets / (liabilities – include borrowings)	(5,466,955)	239,046	8,120	35,719	(5,184,070)
2022 – Consolidated					
All figures are in AUD	\$	\$	\$	\$	\$
Financial assets					
Trade receivables	163,727	106,724	5,138	-	275,589
Other receivables	293,467	-	-	-	293,467
Research and development rebates	839,810	-	-	-	839,810
Cash and cash equivalents	1,812,011	256,249	1,698	-	2,069,958
Total financial assets	3,109,015	362,973	6,836	-	3,478,824
Financial liabilities					
Trade payables	(3,988,954)	108,032	(3,026)	-	(3,883,948)
Other payables	(542,039)	(21,618)	-	-	(563,657)
Borrowings	(3,081,394)	-	-	-	(3,081,394)
Total financial liabilities	(7,612,387)	86,414	(3,026)	-	(7,528,999)
Net financial assets / (liabilities – include borrowings)	(4,503,372)	449,387	3,810	-	(4,050,175)

NOTE 35. EARNINGS PER SHARE

Consolidated	2023	2022
	\$	\$
(Loss) after income tax attributable to the owners of Gratifii Limited and Controlled Entities	(3,812,424)	(2,433,584)

Consolidated	2023	2022
	\$	\$
Weighted average number of shares used for the purposes of calculating basic and diluted earnings per share:		
Basic earnings per share	1,016,905,843	657,669,462
Diluted earnings per share	1,068,090,322	665,441,097

Consolidated	2023	2022
	\$	\$
Basic (loss)/earnings per share	(0.37)	(0.37)
Diluted (loss)/earnings per share	(0.35)	(0.37)

NOTE 36. SHARE-BASED PAYMENTS

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Remuneration and Nomination Committee, grant options over ordinary shares in the company to certain employees of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration and Nomination Committee.

	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
	2023	2023	2022	2022
Outstanding at the beginning of the financial year	38,863,946	\$0.00	35,141,498	\$0.00
Granted	30,834,912	\$0.03	9,722,448	\$0.04
Forfeited	(4,200,000)	\$0.04	-	\$0.00
Exercised	(2)	\$0.00	(6,000,000)	\$0.00
Expired	(7,930,911)	\$0.04	-	\$0.00
Outstanding at the end of the financial year	57,567,945	\$0.00	38,863,946	\$0.00
Exercisable at the end of the financial year	18,888,002	\$0.00	16,894,541	\$0.00

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Notes to the Financial Statements (continued)

The following share-based payment arrangements were in existence during the reporting period:

Grant date	Expiry date	Exercise price	Number under option	Fair value at grant date	Type
12 February 2020	12 February 2024	\$0.050	7,100,379	\$0.012	1
11 March 2021	11 March 2026	\$0.030	5,555,104	\$0.024	2
13 February 2021	13 February 2024	\$0.030	8,555,104	\$0.009	3
22 September 2021	30 June 2026	\$0.040	2,900,000	\$0.015	4
15 November 2021	1 September 2026	\$0.040	2,400,000	\$0.018	5
12 May 2022	11 March 2026	\$0.020	222,448	\$0.012	6
19 August 2022	19 August 2025	\$0.032	540,000	\$0.007	7
11 November 2022	11 November 2027	\$0.028	9,647,314	\$0.010	8
11 November 2022	11 November 2028	\$0.030	20,647,594	\$0.011	9
11 November 2022	11 November 2032	\$0.000	2	\$18,750.000	10

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Type:

- Options issued to Key Management Personnel totalling 10,650,568 options. Of these, 3,550,189 have been forfeited as a result of the employee leaving employment with the Group. Announced to market on 13 February 2020.
- Options issued to Key Management Personnel totalling 5,555,104 options. Of these, none have been forfeited. Announced to market on 12 March 2021.
- Options issued to Key Management Personnel totalling 9,943,880 options. Of these, 1,388,776 have been forfeited as a result of the employee leaving employment with the Group. Subsequent to year end a further 3,000,000 options were cancelled by agreement between the entity and the holder.
- Options issued to Key Management Personnel totalling 7,100,000 options. Of these, 4,200,000 have been forfeited as a result of the employee leaving employment with the Group. Announced to the market on 23 September 2021.
- Options issued to Key Management Personnel totalling 2,400,000 options. Of these, none have been forfeited. Announced to the market on 17 November 2021. Subsequent to year end a further 1,500,000 options were cancelled by agreement between the entity and the holder.
- Options issued to Key Management Personnel totalling 222,448 options. Of these, none have been forfeited. Announced to the market on 12 May 2022.
- Options issued to Key Management Personnel totalling 540,000 options. Of these, none have been forfeited. Announced to the market on 19 August 2022.
- Options issued to Key Management Personnel totalling 9,647,314 options. Of these, none have been forfeited. Announced to the market on 11 November 2022. Subsequent to year end a further 1,942,413 options were cancelled by agreement between the entity and the holder.
- Options issued to Key Management Personnel totalling 20,647,594 options. Of these, none have been forfeited. Announced to the market on 11 November 2022. Subsequent to year end a further 5,557,587 options were cancelled by agreement between the entity and the holder.
- Options issued to Key Management Personnel totalling 4 options. Of these, none have been forfeited, and 2 options have been exercised. Announced to the market on 11 November 2022.

The following share-based payment arrangements were in existence during the comparative reporting period:

Grant date	Expiry date	Exercise price	Number under option	Fair value at grant date	Type
3 September 2019	10 July 2022	\$0.050	2,947,135	\$0.020	1
13 February 2020	13 February 2023	\$0.034	4,983,776	\$0.023	2
12 February 2020	12 February 2024	\$0.050	7,100,379	\$0.012	3
11 March 2021	11 March 2026	\$0.030	5,555,104	\$0.024	4
13 February 2021	13 February 2024	\$0.020	8,555,104	\$0.009	5
22 September 2021	30 June 2026	\$0.040	7,100,000	\$0.015	6
15 November 2021	1 September 2026	\$0.040	2,400,000	\$0.018	7
12 May 2022	11 March 2026	\$0.020	222,448	\$0.012	8

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Type:

- Options were issued in lieu of Chairman cash salary.
- Options to Executive Chairman, announced to market on 10 July 2019.
- Options issued to Key Management Personnel totalling 10,650,568 options. Of these, 3,550,189 have been forfeited as a result of the employee leaving employment with the Group. Announced to market on 13 February 2020.
- Options issued to Key Management Personnel totalling 5,555,104 options. Of these, none have been forfeited. Announced to market on 12 March 2021.
- Options issued to Key Management Personnel totalling 9,943,880 options. Of these, 1,388,776 have been forfeited as a result of the employee leaving employment with the Group.
- Options issued to Key Management Personnel totalling 7,100,000 options. Of these, none have been forfeited. Announced to the market on 23 September 2021.
- Options issued to Key Management Personnel totalling 2,400,000 options. Of these, none have been forfeited. Announced to the market on 17 November 2021.
- Options issued to Key Management Personnel totalling 222,448 options. Of these, none have been forfeited. Announced to the market on 12 May 2022.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the **Corporations Act 2001**, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the **Corporations Act 2001**.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the **Corporations Act 2001**.

On behalf of the directors.



Stephen Borness
Non-Executive Chair

Date: 18 September 2023

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INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF GRATIFIC LIMITED AND CONTROLLED ENTITIES ABN 47 125 688 940

Report on the Financial Report

Opinion

We have audited the financial report of Gratific Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The financial report also complies with the International Financial Reporting Standards as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Emphasis of Matter on Going Concern

We draw your attention to Note 2 on going concern in the financial report, which indicates that the Group incurred an operating loss after tax from continuing operations \$3,812,424 (2022: \$2,433,584), and net cash inflow from operating activities of \$450,766 (2022: \$176,141) during the year ended 30 June 2023 and, as of that date, the Group’s current liabilities exceeded its current assets by \$5,090,535 (2022: \$3,545,022) and net assets of \$8,111,733 (2022: \$5,496,870). These events and conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast doubt of the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How Our Audit Addressed the Key Audit Matters
<p>Acquisition of Hachiko Pty Ltd</p> <p>During the period, the Group acquired a 100% interest in Hachiko Pty Ltd.</p> <p>The acquisition included cash payments of \$2.14M and issue of 73,076,922 shares. Of which, full payment for the cash component was paid during the period and 19,230,769 shares were issued with the balance of 53,846,153 shares issued in August 2023 following shareholder approval.</p>	<p>We evaluated the accounting treatment applied to the acquisition in accordance with documentation provided in support. This included:</p> <ul style="list-style-type: none"> Analysing purchase price allocation of assets and liabilities acquired; Recalculating share based payments and relevant amounts recognised during the period.; Evaluated the existence of assets and liabilities acquired; and Assessing disclosures made within the annual financial report.
<p>Capitalisation and Impairment of Software Development Costs</p> <p>During the year, the Group capitalised software development costs of \$3,209,501 as detailed in Note 15 to the financial statements. After amortisation of \$1,423,877, the carrying value as at 30 June 2023 was \$7,437,978.</p>	<p>We evaluated the appropriateness of capitalisation policies, performed substantive tests on costs capitalised and assessed amortisation and impairment assumptions.</p> <p>In performing these procedures, we considered the judgements made by management including:</p> <ul style="list-style-type: none"> The nature of underlying costs capitalised as part of the cost of the software development. The appropriateness of the directors’ assessment for indicators of impairment. Assessed and analysed value in use calculations in support of carrying value of intangible assets. Compared book value of group assets in comparison to current market value of the group.

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Key Audit Matters (continued)	How Our Audit Addressed the Key Audit Matters
<p>Revenue Recognition</p> <p>Revenue represents a material balance and we have identified the following types of transactions and assertions related to revenue recognition which give rise to key risks:</p> <ul style="list-style-type: none"> the completeness of revenue recorded as a result of the reliance on output of the system. <p><i>Revenue from contracts with customers</i></p> <p>Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer.</p> <p>For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.</p>	<p>In responding to this area of focus, our audit approach included controls testing and substantive procedures covering, in particular:</p> <ul style="list-style-type: none"> testing control procedures in place around billing systems; performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts; testing cash receipts for a sample of customers back to the customer invoice; testing the costs associated to the delivery of sales; considering COVID-19 impacts to collection of trade receivables; and considered the application of the Group's accounting policies to amounts billed.

Independent Auditor’s Report (continued)

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Key Audit Matters (continued)	How Our Audit Addressed the Key Audit Matters
<p>Going Concern</p> <p>Following operating losses and net current asset deficits, there is a heightened degree of judgement as to the Group’s ability to continue as a going concern through the assessment period.</p> <p>Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management’s disclosure to be a key risk.</p>	<p>We have challenged the key assumptions in management’s forecast cash flows for the next 12 months (base case and downside possibilities) by:</p> <ul style="list-style-type: none"> • Comparing the cash flow forecasts with the Board approved budget, and obtaining explanations for any significant differences; • Ensuring consistency between the forecasts in the Group going concern model and those used in the asset value-in-use calculations for impairment assessment purposes; • Assessing the historical accuracy of forecasts prepared by management; • Testing the mechanical accuracy of the model used; • Performing stress tests for a range of reasonably possible scenarios on management’s cash flow for the going concern period; • Challenging management’s plans for mitigating any identified exposures, obtain additional sources of Financing; • Consideration of COVID-19 impacts to managements assumptions in regard to future revenue forecasts, especially the uncertainty of general economic conditions and return to normal business activity; and • Considering whether the disclosures relating to going concern referred to in the basis of preparation section of the accounting policies are balanced, proportionate and clear.

There were no restrictions on our reporting of Key Audit Matters.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2023, but does not include the financial report and our auditor’s report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MNSA Pty Ltd
ABN 59 133 605 400

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Accountants Scheme,
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Professional Standards
Act 1994 (NSW)

Independent Auditor's Report (continued)

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Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor’s Report (continued)

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in the directors’ report for the year ended 30 June 2023.

In our opinion, the remuneration report of Gratifi Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

MNSA PTY LTD
MNSA Pty Ltd

Mark Schiliro
Director

Sydney

18th September 2023

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Shareholder Information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere is shown in this section. The information is current as at 1 September 2023.

HOME EXCHANGE

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

ORDINARY SHARES

As at 1 September 2023, the issued capital comprised of 1,323,757,212 fully paid ordinary shares held by 1,170 holders. There were 6,465,668 shares held in unmarketable parcels of \$500 or less by 680 individual shareholders.

OPTIONS

As at 1 September 2023, the Company had the following unlisted options over ordinary shares on issue:

Grant Date	No. Under Option	No. Of Holders	Exercise Price	Expiry Date
12 February 2020	7,100,379	2	\$0.05	12 February 2024
11 March 2021	5,777,552	2	\$0.03	11 March 2026
13 February 2021	5,555,104	1	\$0.05	13 February 2024
22 September 2021	2,900,000	3	\$0.04	30 June 2026
15 November 2021	900,000	2	\$0.04	1 September 2026
19 August 2022	540,000	1	\$0.032	19 August 2025
11 November 2022	7,704,901	5	\$0.02	11 November 2027
11 November 2022	15,090,007	5	\$0.02	11 November 2028
11 November 2022	2	1	\$Nil	10 November 2032
TOTAL	45,567,945			

RIGHTS

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll. A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

ON MARKET BUY-BACK

There is no on market buy-back.

RESTRICTED SECURITIES

There were no restricted securities as at 1 September 2023.

DISTRIBUTION OF SHAREHOLDERS

The distribution of each class of equity was as follows.

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FULLY PAID ORDINARY SHARES

Range	No. Of Holdings	No. Of Shares	Percentage
1 - 1,000	186	57,406	0.00%
1,001 - 5,000	215	513,058	0.04%
5,001 - 10,000	81	645,901	0.05%
10,001 - 100,000	264	10,528,694	0.80%
100,001 and over	424	1,312,012,153	99.11%
TOTAL	1,170	1,323,757,212	100.00%

SUBSTANTIAL SHAREHOLDINGS

At 1 September 2023, the Register of Substantial Shareholders showed the following:

Rank	Name	No. Of Ordinary Shares Held	Percentage
1	National Nominees Limited	221,502,991	16.73%
2	HSBC Custody Nominees (Australia) Limited	104,238,823	7.87%
3	Howarth Commercial Pty Ltd	87,998,162	6.65%

TWENTY LARGEST SHAREHOLDERS

At 1 September 2023, the twenty largest shareholders held 60.94% of the fully paid ordinary shares as follows:

Rank	Name	No. Of Ordinary Shares Held	Percentage
1	National Nominees Limited	221,502,991	16.73%
2	HSBC Custody Nominees (Australia) Limited	104,238,823	7.87%
3	Howarth Commercial Pty Ltd	87,998,162	6.65%
4	Bombora Capital Limited <Phact Investment A/C>	47,500,000	3.59%
5	Ironfury Pty Ltd <The David Dunn Family A/C>	43,700,000	3.30%
6	Altor Capital Management Pty Ltd <Altor Alpha Fund A/C>	43,279,487	3.27%
7	Lomacott Pty Ltd <The Keogh Super Fund A/C>	35,000,000	2.64%
8	Rimoyne Pty Ltd	30,935,316	2.34%
9	Berne No 132 Nominees Pty Ltd <732419 A/C>	28,172,424	2.13%
10	Alimold Pty Limited	26,080,000	1.97%
11	Hotazel Holdings Pty Ltd	18,300,000	1.38%
12	Woodchip Investments Pty Ltd <The Donna Maree Adam A/C>	18,269,230	1.38%
13	Mr Jason David Brown	16,000,000	1.21%
14	Citicorp Nominees Pty Limited	14,527,998	1.10%
15	Mr Robert Todd Ruppert	12,766,667	0.96%
16	Lakeba Ventures Pty Ltd	12,729,970	0.96%
17	Alimold Pty Ltd	12,459,086	0.94%
18	Novus Capital Nominees Pty Limited <Nominee A/C>	12,153,341	0.92%
19	Mr Chao Zhang	10,590,129	0.80%
20	BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	10,419,017	0.79%
TOTAL SECURITIES OF TOP 20 HOLDINGS		806,632,512	60.94%
TOTAL NUMBER OF SECURITIES		1,323,757,212	100.00%

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Corporate Information

GRATIFIC LIMITED

ABN 47 125 688 940

REGISTERED OFFICE

Suite 2, Level 1, 44a Foveaux Street
Surry Hills NSW 2010 AUSTRALIA

DIRECTORS

Bryan Zekulich
Iain Dunstan (CEO & Managing Director)
Patrina Kerr
Mike Hill
Stephen Borness (Chair)

COMPANY SECRETARIES

Alicia Gill
Ben Newling

WEBSITE

www.gratific.com

AUDITOR

MNSA Pty Ltd
Level 1, 283 George St
Sydney NSW 2000

SOLICITORS

Thomson Geer
Level 14/60 Martin Place
Sydney NSW 2000

STOCK EXCHANGE

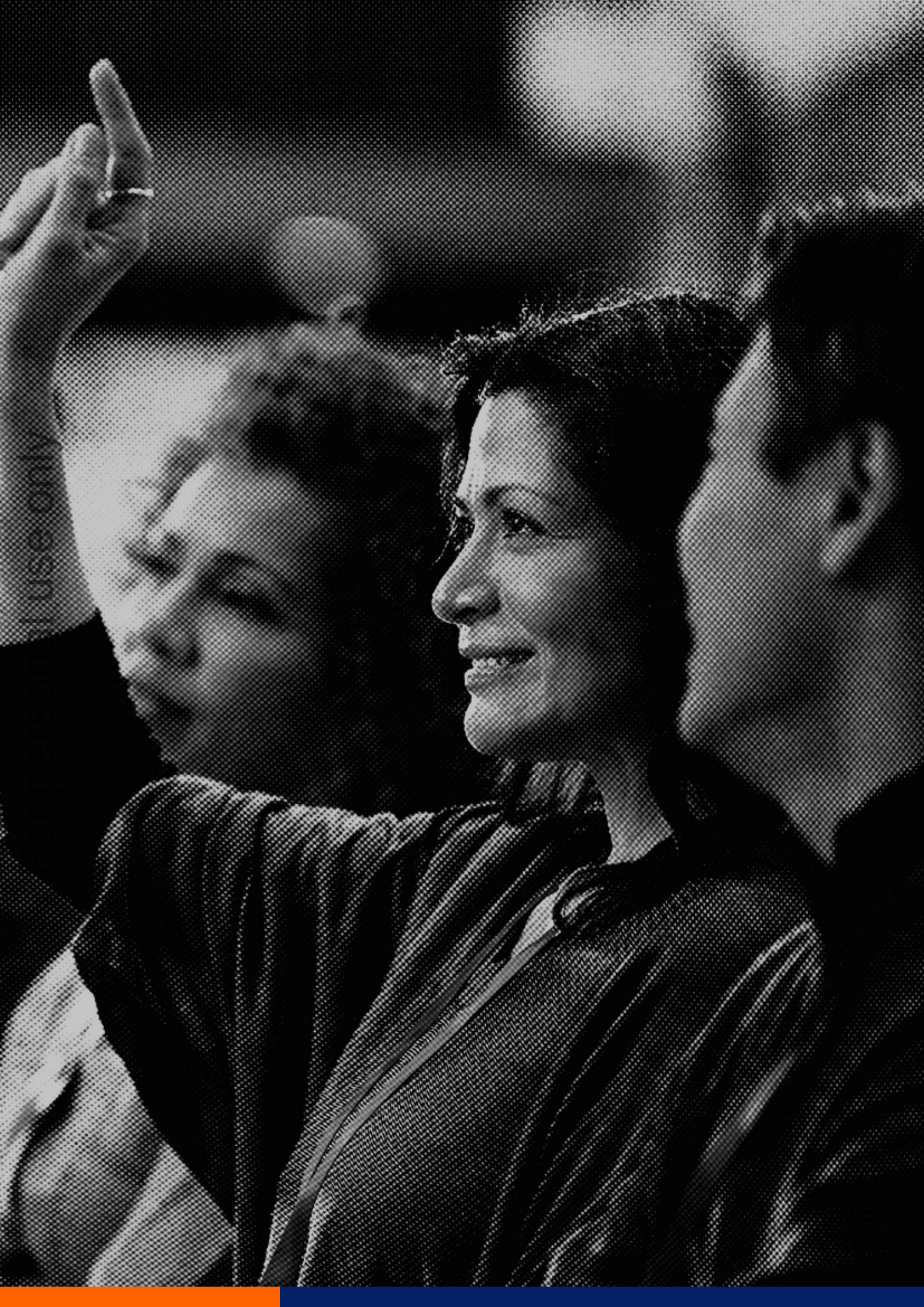
ASX: GTI

SHARE REGISTRY

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