

My Rewards International Limited & Controlled Entities

ABN 47 095 009 742

Annual Report – Financial Year Ended 30 June 2021

My Rewards International Limited & Controlled Entities
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Financial Year Ended 30 June 2021

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My Rewards International Limited & Controlled Entities
Directors' report
30 June 2021

The Directors present this report, together with the financial statements, on the consolidated entity consisting of My Rewards International Limited and the entities it controlled (referred to hereafter as the 'Group' or 'My Rewards') at the end of the financial year ended 30 June 2021.

Directors

The names of the Directors in office during the financial year were:

David Vinson, Chairman and Executive Director (appointed April 2005)
Maitreyee Khire, Managing Director (appointed December 2017)
Daniel Goldman, Non-Executive Director (appointed December 2017)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

David Vinson was Company Secretary from the start of the financial year through to 19 April 2021 when he resigned from this role.

Neill Whitehead, Chief Financial & Commercial Officer, was appointed Company Secretary on 19 April 2021 and has been in this role through to the date of this report.

Principal activities

The principal activities of the Group during the financial year were providing membership services and loyalty programs for corporate and retail clients.

Operating results

The Group had revenue of \$14,684,770 for the financial year ending 30 June 2021 (30 June 2020: \$15,615,194). The loss for the Group for the year after providing for income tax amounted to \$3,342,451 which includes trading activities and one-off adjustments, including goodwill impairment of \$1,600,325 (30 June 2020: loss \$1,218,674).

Review of operations

My Rewards achieved several important milestones during the year ended 30 June 2021. These included the following:

- **Preparation for an Initial Public Offering ('IPO') on the Australian Stock Exchange ('ASX')**
Barclay Pearce Capital Pty Ltd was engaged on 14 May 2021 to be the Lead Manager for My Rewards' upcoming listing on the ASX planned for later this year. This will create liquidity for shareholders and raise funds for further expansion of the business.
- **Overseas expansion**
My Rewards secured an agreement with Ria Money Transfer ('Ria'), the second-largest money transfer company in the world, to operate the Ria Global Rewards Program. This agreement contemplates a rollout of services to an initial six countries with the potential to expand to a total of 26 countries, servicing millions of users.
- **Introduction of a Marketplace**
My Rewards continued to work towards the launch of a consumer-based marketplace that incorporates a QR-code based digital wallet. This will provide the Group with the ability to rollout services to consumers in parallel to its well-established corporate loyalty programs. The Marketplace will incorporate artificial intelligence ('AI') and provide users with a higher level of personalised services.
- **Additions to the management team**
The Group was strengthened by the addition of two experienced executives. Neill Whitehead as Chief Financial & Commercial Officer and Patrick Hamilton as Chief Technology Officer. Both bring considerable skills and experience in technology industries and will help grow the business globally.

Significant changes in the state of affairs

During the year ended 30 June 2021, the following significant affairs occurred:

- **Capital and debt raising**
My Rewards worked with advisors as part of a pre-IPO capital raise. \$2,067,900 was raised via convertible notes, and a further \$637,500 was raised via the issue of fully paid ordinary shares. Funds were raised to support the business, engage in marketing activities, and fund IPO costs.
- **Acquisition of Perx Rewards Pty Ltd ('Perx')**
On 7 June 2021, My Rewards signed a heads of agreement to acquire 100% of the shares in Perx (trading as Infinite Rewards) for \$1 million plus a performance bonus of \$200,000 worth of My Rewards' shares at the planned IPO share price. Perx has been in business for over 15 years and provides branded rewards programs to employees and customers of corporates. Perx had revenue of \$12,631,230 during the year ended 30 June 2021.

Dividends

No dividends were paid or provided for during the year ended 30 June 2021 (30 June 2020: \$nil).

Events occurring after balance sheet date

The following material events occurred after 30 June 2021:

- **ASX pre-approval to list**
On 16 July 2021, ASX responded to an application for advice as to the suitability of My Rewards for admission to the official list of the ASX. Based on the information received, the ASX advised that it "*...is not aware of any reasons that would cause My Rewards International Limited not to have a structure and operations suitable for a listed entity for the purposes of Listing Rule 1.1 condition 1 or that would cause ASX to exercise its discretion to refuse admission to the official list under Listing Rule 1.19.*"
- **Pre-IPO capital raise**
Subsequent to year-end, My Rewards has raised a further \$2,036,255 in funds from investors as a pre-IPO capital raise, confirming an interest and appetite for shares in the company.
- **Equity Incentive Plan**
On 12 July 2021, My Rewards implemented an Equity Incentive Plan and invited staff to apply to receive options under the plan. At the date of preparation of this report, a total of 13,000,000 options were issued to staff, of which 4,468,750 options have vested as at the date of this report.
- **Cyber event**
The Company experienced a cyber event after year end. The Company engaged cyber security experts to review and remediate the event and the matter is currently being investigated by the Company's cyber insurance providers.
- **COVID-19**
The impact of the COVID-19 pandemic is ongoing and while it has had some positive as well as negative impacts on the Company, it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Likely developments and expected results of operations

The Directors expect the consolidated entity will continue to carry out its principal activities as detailed above. There are no other known or likely developments which the Directors foresee which they wish to disclose at this time.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

My Rewards International Limited & Controlled Entities
Directors' report
30 June 2021

Shares under option

At the date of this report, a corporate advisor has an entitlement to receive 4,500,000 options with a strike price of \$0.30 and three years to expiry. This option certificate has not yet been issued but will soon be provided to the advisor.

As mentioned earlier, staff were issued a total of 13,000,000 options under an Equity Incentive Plan, of which 4,468,750 options have vested as at the date of this report.

Apart from the above, there were no other unissued ordinary shares of My Rewards under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of My Rewards issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

At the date of this report, My Rewards has not indemnified 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. My Rewards does plan to provide indemnities, agreements for which are currently being drafted by lawyers.

Indemnity and insurance of auditor

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

During the financial period, 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.

Rounding of amounts

Amounts in this report have not been rounded off in accordance with Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission.

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.

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



David Vinson
Chairman and Executive Director



Maitreyee Khire
Managing Director

19 October 2021

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of My Rewards International Limited & Controlled Entities for the year ended 30 June 2021, 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.

A handwritten signature in blue ink, appearing to be "RSM".**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink, appearing to be "R B Miano".**R B MIANO**
Partner

Dated: 19 October 2021
Melbourne, Victoria

My Rewards International Limited & Controlled Entities
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Revenue from rendering of services	3	14,684,770	15,615,194
Other income	4	353,430	124,672
Cost of sales		(14,375,587)	(15,631,156)
Employee benefits expense		(692,156)	(509,923)
Depreciation and amortisation expense		(215,185)	(138,891)
Goodwill impairment expense		(1,600,325)	-
Other expenses		(587,602)	(365,098)
Finance costs		(909,796)	(313,472)
Loss before income tax expense	5	(3,342,451)	(1,218,674)
Income tax expense	6	-	-
Loss after income tax expense for the year		(3,342,451)	(1,218,674)
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(3,342,451)</u>	<u>(1,218,674)</u>
Loss for the year is attributable to:			
Owners of My Rewards International Limited	25	<u>(3,342,451)</u>	<u>(1,218,674)</u>
		<u>(3,342,451)</u>	<u>(1,218,674)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

My Rewards International Limited & Controlled Entities
Statement of financial position
For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	7	304,358	21,652
Trade and other receivables	8	202,796	83,932
Inventories	9	7,073	31,578
Other assets	10	90,901	101,431
Total current assets		<u>605,128</u>	<u>238,593</u>
Non-current assets			
Plant and equipment	11	7,832	4,172
Right-of-use assets	12	274,085	70,886
Intangibles	13	383,641	1,949,946
Total non-current assets		<u>665,558</u>	<u>2,025,004</u>
Total assets		<u>1,270,686</u>	<u>2,263,597</u>
Liabilities			
Current liabilities			
Trade and other payables	14	742,079	482,142
Borrowings	15	784,490	1,040,828
Lease liabilities	16	94,131	36,190
Convertible notes	17	1,594,914	-
Employee benefits	19	228,615	63,089
Deferred revenue	20	835,970	1,374,765
Total current liabilities		<u>4,280,199</u>	<u>2,997,014</u>
Non-current liabilities			
Convertible notes	17	426,119	-
Derivative financial instruments	18	135,032	-
Borrowings	21	243,796	286,292
Lease liabilities	22	192,808	34,696
Employee benefits	23	34,772	30,174
Total non-current liabilities		<u>1,032,527</u>	<u>351,162</u>
Total liabilities		<u>5,312,726</u>	<u>3,348,176</u>
Net assets		<u>(4,042,040)</u>	<u>(1,084,579)</u>
Equity			
Issued capital	24	5,544,005	5,196,535
Reserves		37,520	-
Accumulated losses	25	<u>(9,623,565)</u>	<u>(6,281,114)</u>
Total equity		<u>(4,042,040)</u>	<u>(1,084,579)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

My Rewards International Limited & Controlled Entities
Statement of changes in equity
For the year ended 30 June 2021

	Issued capital \$	Reserves \$	Accumulated Losses \$	Total equity \$
Balance at 01/07/2019	5,196,535	-	(5,062,440)	134,095
Loss after income tax expense for the year	-	-	(1,218,674)	(1,218,674)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,218,674)	(1,218,674)
Balance at 30/06/2020	<u>5,196,535</u>	<u>-</u>	<u>(6,281,114)</u>	<u>(1,084,579)</u>
Balance at 01/07/2020	5,196,535	-	(6,281,114)	(1,084,579)
Loss after income tax expense for the year	-	-	(3,342,451)	(3,342,451)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,342,451)	(3,342,451)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity (note 24)	693,446	-	-	693,446
Share issue expenses	(255,453)	-	-	(255,453)
Other	(90,523)	-	-	(90,523)
Total	<u>347,470</u>	<u>-</u>	<u>-</u>	<u>437,993</u>
Equity component from convertible notes	-	37,520	-	37,520
Total	<u>347,470</u>	<u>37,520</u>	<u>-</u>	<u>475,513</u>
Balance at 30/06/2021	<u>5,544,005</u>	<u>37,520</u>	<u>(9,623,565)</u>	<u>(4,042,040)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

My Rewards International Limited & Controlled Entities
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated	
		2021	2020
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		16,046,269	16,465,257
Payments to suppliers and employees (inclusive of GST)		(17,209,407)	(16,238,185)
Interest and other revenue received		353,430	142,486
Interest and other finance costs paid		(909,796)	(282,507)
Net cash from / (used in) operating activities	28	<u>(1,719,504)</u>	<u>87,051</u>
Cash flows from investing activities			
Payments for plant and equipment and intangible assets		(185,517)	(198,463)
Net cash (used in) investing activities		<u>(185,517)</u>	<u>(198,463)</u>
Cash flows from financing activities			
Proceeds from issue of shares		693,446	-
Proceeds from borrowings		2,112,082	1,319,900
Share issue transaction costs		(255,453)	-
Repayment of borrowings		(275,784)	(1,238,955)
Repayment of lease liabilities		(63,514)	-
Net cash from financing activities		<u>2,210,777</u>	<u>80,945</u>
Net increase/(decrease) in cash and cash equivalents		305,756	(30,467)
Cash and cash equivalents at the beginning of the financial year		(1,398)	29,069
Cash and cash equivalents at the end of the financial year	7	<u>304,358</u>	<u>(1,398)</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies

General information

The financial statements cover My Rewards International Limited as a consolidated entity consisting of My Rewards International Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is My Rewards International Limited's functional and presentation currency.

My Rewards International Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

G02 181-185 St Kilda Road
St Kilda
VICTORIA
3182

A description of the nature of the consolidated entity'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 the Directors, on 19 October 2021. The Directors have the power to amend and reissue the financial statements.

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 financial periods presented, unless otherwise stated.

(a) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Basis of preparation

General purpose financial statements

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.

Historical cost convention

The financial statements have been prepared under the historical cost convention except for, where applicable, the revaluation of financial assets at fair value through other comprehensive income.

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 company'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 2.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

(c) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of My Rewards International Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. My Rewards International Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

(e) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$3,342,451 and had net cash outflows from operating activities of \$1,719,504 for the year ended 30 June 2021. As at that date, the consolidated entity had net current liabilities of \$3,675,071.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- On 14 May 2021, My Rewards appointed Barclay Pearce Capital Pty Ltd as Lead Manager for its upcoming listing on the ASX planned for later this year. A minimum of 25,000,000 shares will be offered at an issue price of \$0.20 per share to raise \$5,000,000. Oversubscriptions to raise a further \$2,000,000 may be accepted;
- On listing, My Rewards will convert convertible notes (liabilities) with a face value of \$2,021,033 into fully paid ordinary shares in the company;
- My Rewards will acquire a 100% interest in Perx Rewards Pty Ltd shortly after listing as contemplated by a signed heads of agreement. This purchase is expected to be cash accretive;
- Subsequent to 30 June 2021, My Rewards has raised \$2,036,255 in funds from investors as a pre-IPO capital raise;
- The consolidated entity is expecting continued growth in revenue and profits through expansion in Australian and overseas markets off the back of recent sales contracts, including Ria Money Transfer, which contemplates the rollout of services in an initial six countries; and
- My Rewards is able to scale back activities to preserve cash should it become necessary.

For these reasons, the Directors believe the consolidated entity can pay its debts as and when they fall due. Accordingly, these financial statements are prepared applying the going concern basis of accounting and no adjustments are considered necessary to the recoverability and classification of recorded assets and liabilities were the going concern basis of accounting not applied.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

(f) Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the entity, 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 performed.

Revenue from loyalty programs

Revenue from the sale of gift cards is recognised at the point in time when the customer obtains control of the gift cards, which is generally at the time of delivery.

Membership Revenue

Revenue from membership fees is recognised across the membership period.

Commissions

Revenue from commissions is recognised when the sale transaction and delivery of goods from the third party is complete.

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.

(g) Income tax

The income tax expense or revenue 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 and unused tax losses.

The income tax expense or revenue 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 and unused tax losses.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

(h) 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 company'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 company'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.

(i) 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.

(j) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The entity 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.

(k) Inventories

Inventory is stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

(l) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(m) Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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 - 20 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting period.

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

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

(n) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(o) Intangible assets

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.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a reducing balance method basis over the period of their expected benefit, being their finite life of 2.5 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a reducing balance method basis over the period of their expected benefit, being their finite life of 2.5 years.

Software

Significant costs associated with software are deferred and amortised on a reducing balance method basis over the period of their expected benefit, being their finite life of 2.5 years.

(p) 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 cash flows 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 cash flows are grouped together to form a cash-generating unit.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period 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 to 90 days of recognition.

(r) 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.

(s) 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 consolidated entity'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; 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.

(t) 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.

(u) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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.

(v) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary 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. 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

(w) 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 from the proceeds.

(x) 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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(y) 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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed inclusive of the amount of GST recoverable from, or payable to, the tax authority.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 2. 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 period are discussed below.

Fair value measurement hierarchy

The consolidated entity 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 company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation 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 company 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 1. 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 cash flows.

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

The consolidated entity 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 consolidated entity 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 company 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 company recognises liabilities for anticipated tax audit issues based on the company'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.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, 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 cash flows 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.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 3. Revenue

	Consolidated	
	2021	2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Revenue from loyalty programs	<u>14,684,770</u>	<u>15,615,194</u>
	<u>14,684,770</u>	<u>15,615,194</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2021	2020
	\$	\$
<i>Major product lines</i>		
Item sales	14,211,748	15,029,962
Membership fees	<u>473,022</u>	<u>585,232</u>
	<u>14,684,770</u>	<u>15,615,194</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	14,211,748	15,029,962
Services transferred over time	<u>473,022</u>	<u>585,232</u>
	<u>14,684,770</u>	<u>15,615,194</u>

Note 4. Other income

	Consolidated	
	2021	2020
	\$	\$
<i>Other income</i>		
Jobkeeper government financial support	201,134	97,416
Research and development tax incentive	124,834	-
Other income	<u>27,462</u>	<u>27,256</u>
Other income	<u>353,430</u>	<u>124,672</u>

Note 5. Expenses

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax includes the following specific expenses:		
Cost of sales	<u>14,375,587</u>	<u>15,631,156</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	902,298	313,472
Interest on leases	<u>7,498</u>	<u>-</u>
Finance costs expensed	<u>909,796</u>	<u>313,472</u>
<i>Depreciation and amortisation</i>	<u>215,185</u>	<u>138,891</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>42,709</u>	<u>42,307</u>
<i>Goodwill</i>		
Impairment of goodwill	<u>1,600,325</u>	<u>-</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 6. Income tax expense

	Consolidated	
	2021	2020
	\$	\$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
Deferred tax included in income tax expense comprises:		
Deferred tax - origination and reversal of temporary differences	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(3,342,451)</u>	<u>(1,218,674)</u>
Tax at the statutory rate of 26%	(869,037)	(316,855)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	852,427	316,855
Non-assessable income	16,610	
Income tax expense	<u>-</u>	<u>-</u>

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	<u>304,358</u>	<u>21,652</u>
	<u>304,358</u>	<u>21,652</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	304,358	21,652
Bank overdraft (note 15)	<u>-</u>	<u>(23,050)</u>
Balance as per statement of cash flows	<u>304,358</u>	<u>(1,398)</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 8. Current assets - trade and other receivables

	Consolidated	
	2021	2020
	\$	\$
Trade receivables	116,465	52,156
Less: Allowance for expected credit losses	<u>(28,166)</u>	<u>-</u>
	<u>88,299</u>	<u>52,156</u>
Other receivables	114,497	31,776
	<u>202,796</u>	<u>83,932</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$28,166 in profit or loss in respect of the expected credit losses for the year ended 30/06/2021.

Note 9. Inventories

	Consolidated	
	2021	2020
	\$	\$
Sales merchandise inventory	7,073	13,029
Inventory in transit	<u>-</u>	<u>18,549</u>
	<u>7,073</u>	<u>31,578</u>

Note 10. Current assets - other

	Consolidated	
	2021	2020
	\$	\$
Deferred costs	<u>90,901</u>	<u>101,431</u>

Note 11. Non-current assets - Plant and equipment

	Consolidated	
	2021	2020
	\$	\$
Plant and equipment - at cost	195,166	189,020
Less: Accumulated depreciation	<u>(187,334)</u>	<u>(184,848)</u>
	<u>7,832</u>	<u>4,172</u>

Reconciliation

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

	Plant and equipment
Consolidated	\$
Balance at 01/07/2020	4,172
Additions	6,145
Depreciation expense	<u>(2,485)</u>
Balance at 30/06/2021	<u>7,832</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 12. Non-current assets - right-of-use assets

	Consolidated	
	2021	2020
	\$	\$
Land and buildings - right-of-use	250,419	58,900
Less: Accumulated depreciation	<u>(20,868)</u>	<u>(32,520)</u>
	<u>229,551</u>	<u>26,380</u>
Motor vehicles - right-of-use	52,944	52,944
Less: Accumulated depreciation	<u>(20,295)</u>	<u>(8,438)</u>
	<u>32,649</u>	<u>44,506</u>
Office equipment - right-of-use	13,982	-
Less: Accumulated depreciation	<u>(2,097)</u>	<u>-</u>
	<u>11,885</u>	<u>-</u>
	<u>274,085</u>	<u>70,886</u>

Additions to the right-of-use assets during the year were \$205,501.

The consolidated entity leases buildings for its offices under agreements of three years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also lease motor vehicles under agreements of between three to five years.

Note 13. Non-current assets - intangibles

	Consolidated	
	2021	2020
	\$	\$
Goodwill	1,600,325	1,600,325
Less: Impairment	<u>(1,600,325)</u>	<u>-</u>
	<u>-</u>	<u>1,600,325</u>
Development - at cost	774,271	588,754
Less: Accumulated amortisation	<u>(467,179)</u>	<u>(361,206)</u>
	<u>307,092</u>	<u>227,548</u>
Patents and trademarks - at cost	265,600	265,600
Less: Accumulated amortisation	<u>(265,600)</u>	<u>(258,507)</u>
	<u>-</u>	<u>7,093</u>
Software - at cost	332,930	332,930
Less: Accumulated amortisation	<u>(256,381)</u>	<u>(217,950)</u>
	<u>76,549</u>	<u>114,980</u>
	<u>383,641</u>	<u>1,949,946</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 13. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Goodwill \$	Development \$	Patents and trademarks \$	Software \$	Total \$
Balance at 01/07/2020	1,600,325	227,548	7,093	114,980	1,949,946
Development cost	-	185,517	-	-	185,517
Impairment of assets	(1,600,325)	-	-	-	(1,600,325)
Amortisation expense	-	(105,973)	(7,093)	(38,431)	(151,497)
Balance at 30/06/2021	-	307,092	-	76,549	383,641

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2021	2020
	\$	\$
Trade payables	544,105	433,203
Other payables	197,974	48,939
	<u>742,079</u>	<u>482,142</u>

Note 15. Current liabilities - borrowings

	Consolidated	
	2021	2020
	\$	\$
Bank overdraft	-	23,050
External loans	741,027	944,275
Related party loan	43,463	73,503
	<u>784,490</u>	<u>1,040,828</u>

Refer to note 21 for further information on assets pledged as security and financing arrangements.

Note 16. Current liabilities - lease liabilities

	Consolidated	
	2021	2020
	\$	\$
Lease liability	94,131	36,190

Note 17. Convertible notes

	Consolidated	
	2021	2020
	\$	\$
Current liabilities - Convertible notes	1,594,914	-
Non-current liabilities - Convertible notes	426,119	-
	<u>2,021,033</u>	<u>-</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 18. Non-current liabilities - derivative financial instruments

	Consolidated	
	2021	2020
	\$	\$
Convertible notes - embedded derivative liability	135,032	-

Note 19. Current liabilities - employee benefits

	Consolidated	
	2021	2020
	\$	\$
Employee benefits	228,615	63,089

Note 20. Current liabilities - other

	Consolidated	
	2021	2020
	\$	\$
Deferred revenue	835,970	1,374,765

Note 21. Non-current liabilities - borrowings

	Consolidated	
	2021	2020
	\$	\$
External loans	141,735	192,631
Related party loan	102,061	93,661
	<u>243,796</u>	<u>286,292</u>

Assets pledged as security

All loans in the consolidated group are unsecured.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2021	2020
	\$	\$
Total facilities		
Bank overdraft	155,820	157,700
Bank and other external loans	808,876	1,007,802
	<u>964,696</u>	<u>1,165,502</u>
Used as the reporting date		
Bank overdraft	34,448	102,108
Bank and other external loans	808,876	1,007,802
	<u>843,324</u>	<u>1,109,910</u>
Unused at the reporting date		
Bank overdraft	121,372	55,592
Bank and other external loans	-	-
	<u>121,372</u>	<u>55,592</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 22. Non-current liabilities - lease liabilities

	Consolidated	
	2021	2020
	\$	\$
Lease liability	<u>192,808</u>	<u>34,696</u>

Note 23. Non-current liabilities - employee benefits

	Consolidated	
	2021	2020
	\$	\$
Employee benefits	<u>34,772</u>	<u>30,174</u>

Note 24. Equity - issued capital

	Consolidated			
	2021	2020	2021	2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>112,882,543</u>	<u>105,440,423</u>	<u>5,544,005</u>	<u>5,196,535</u>

Movements in ordinary share capital

Details	Shares	\$
Balance as at 01/07/2020	105,440,423	5,196,535
Issue of shares	7,442,120	693,446
Share issue transaction costs	-	(255,453)
Other	<u>-</u>	<u>(90,523)</u>
Balance as at 30 June 2021	<u>112,882,543</u>	<u>5,544,005</u>

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 carry one vote.

Note 25. Equity - accumulated losses

	Consolidated	
	2021	2020
	\$	\$
Accumulated losses at the beginning of the financial year	(6,281,114)	(5,062,440)
Loss after income tax expense for the year	<u>(3,342,451)</u>	<u>(1,218,674)</u>
	<u>(9,623,565)</u>	<u>(6,281,114)</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 26. Financial instruments

The consolidated entity's principal instruments comprise receivables, payables, bank overdraft, cash and cash equivalents and borrowings. These activities expose the group to a variety of financial risks which include interest rate risk, currency risk, price risk, credit risk and liquidity risk.

Although the group does not have formal documented policies and procedures, the Directors and management manage the different types of risks to which it is exposed by considering and monitoring levels of exposure to interest rates and foreign exchange risk and by being aware of market forecasts for interest rates and foreign exchange. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk is monitored through general business budgets and forecasts.

Price risk

The group is not exposed to any significant price risk.

Currency risk

The group is not exposed to any significant currency risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets 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 consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowings facilities at the reporting date:

	Consolidated	
	2021	2020
	\$	\$
Bank overdraft	121,372	55,592
Bank and other external loans	-	-
	<u>121,372</u>	<u>55,592</u>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 26. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	544,105	-	-	-	544,105
Other payables	197,974	-	-	-	197,974
Deferred revenue	835,970	-	-	-	835,970
<i>Interest-bearing</i>					
Loans & borrowings	784,490	213,907	29,889	-	1,028,286
Convertible notes	1,594,914	19,541	406,578	-	2,021,033
Derivative financial instruments					
Convertible notes - embedded derivative liability	-	135,032	-	-	135,032

Consolidated - 2020	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	433,203	-	-	-	433,203
Other payables	48,939	-	-	-	48,939
Deferred revenue	1,374,765	-	-	-	1,374,765
<i>Interest-bearing</i>					
Loans & borrowings	1,040,828	286,292	-	-	1,327,120
Convertible notes	-	-	-	-	-
Derivative financial instruments					
Convertible notes - embedded derivative liability	-	-	-	-	-

Note 27. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed 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

Level 3: Unobservable inputs for the asset or liability

My Rewards International Limited & Controlled Entities
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For the year ended 30 June 2021

Note 27. Fair value measurement (continued)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 2021				
<i>Liabilities</i>				
Convertible notes - embedded derivative liability	-	-	135,032	135,032
Consolidated - 2020				
<i>Liabilities</i>				
Convertible notes - embedded derivative liability	-	-	-	-

There were no transfers between levels during the financial year.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 28. Reconciliation of cashflow from operating activities to net loss after tax

	Consolidated	
	2021	2020
	\$	\$
Reconciliation of cashflow from operating activities to net loss after tax		
Loss after income tax expense for the year	(3,342,451)	(1,218,674)
Depreciation and amortisation	215,185	138,891
Impairment of goodwill	1,600,325	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(118,864)	173,924
Decrease in inventories	24,505	85,188
Increase/(decrease) in trade and other payables	(98,204)	907,722
Net cash from/(used in) operating activities	<u>(1,719,504)</u>	<u>87,051</u>

Note 29. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	323,824	230,606
Post-employment benefits	23,752	12,788
Long-term benefits	2,330	-
Aggregate compensation	<u>349,906</u>	<u>243,394</u>

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 30. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 29.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Interest incurred on loan payable to Director - M Khire	8,400	8,423
Loan and interest repayment by former Director - B Langdon	28,465	118,197
	<u>36,865</u>	<u>126,620</u>

Payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021	2020
	\$	\$
Trade payable to related party:		
Trade payable to Director - M Khire	158,480	182,554
Trade payable/(receivable) from Director - D Goldman	(1,200)	7,700
Trade payable to former Director - B Langdon	-	48,115
Trade payable to Director - D Vinson	-	18,393
	<u>157,280</u>	<u>256,762</u>
Wages accrual to Director - D Vinson	17,734	-
Wages accrual to Director - M Khire	38,325	-
	<u>56,059</u>	<u>-</u>
Loan payable to related parties:		
Loan payable to Director - M Khire	102,061	93,661
Loan payable to former Director - B Langdon	43,463	73,503
	<u>145,524</u>	<u>167,164</u>

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021	2020
		%	%
My Rewards Pty Ltd	Melbourne, Australia	100%	100%
My Rewards (USA) Inc.	Delaware, USA	100%	0%

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

	2021	2020
	\$	\$
Statement of profit or loss and other comprehensive income		
Revenue from rendering of services	282,337	334,341
Other income	5,228	11,592
Cost of sales	(1,751)	(53,519)
Employee benefits expense	(24,000)	(24,000)
Depreciation and amortisation expense	(76,214)	(77,300)
Goodwill impairment expense	(77,728)	-
Other expenses	(312,633)	(103,918)
Finance costs	(352,772)	(58,640)
Profit / (Loss) before income tax expense	(557,533)	28,556
Income tax expense	-	-
Profit / (Loss) after income tax expense	(557,533)	28,556
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the year	(557,533)	28,556
	2021	2020
	\$	\$
Statement of financial position		
Current assets		
Cash and cash equivalents	10,132	56
Trade and other receivables	2,476,232	312,267
Other assets	-	34,200
Total current assets	2,486,364	346,523
Non-current assets		
Investments in other entities	1,010,342	1,009,564
Plant and equipment	1,287	2,070
Intangibles	83,576	210,357
Total non-current assets	1,095,205	1,221,991
Total assets	3,581,569	1,568,514
Current liabilities		
Trade and other payables	244,992	38,486
Borrowings	145,947	331,320
Convertible notes	1,594,914	-
	1,985,853	369,806
Non-current liabilities		
Borrowings	102,061	93,661
Convertible notes	426,119	-
Derivative financial instruments	135,032	-
	663,212	93,661
Total liabilities	2,649,065	463,467
Net assets	932,504	1,105,047
Equity		
Issued capital	5,544,005	5,196,535
Reserves	37,520	-
Accumulated losses	(4,649,021)	(4,091,488)
Total equity	932,504	1,105,047

My Rewards International Limited & Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 33. Events after the reporting period

ASX pre-approval to list

On 16 July 2021, ASX responded to an application for advice as to the suitability of My Rewards for admission to the official list of the ASX. Based on the information received, the ASX advised that it “...is not aware of any reasons that would cause My Rewards International Limited not to have a structure and operations suitable for a listed entity for the purposes of Listing Rule 1.1 condition 1 or that would cause ASX to exercise its discretion to refuse admission to the official list under Listing Rule 1.19.”

Cyber event

The Company experienced a cyber event after year end. The Company engaged cyber security experts to review and remediate the event and the matter is currently being investigated by the Company’s cyber insurance providers.

Equity Incentive Plan

On 12 July 2021, My Rewards implemented an Equity Incentive Plan and invited staff to apply to receive options under the plan. At the date of preparation of this report, a total of 13,000,000 options were issued to staff, of which 4,468,750 have vested as at the date of this report.

Pre-IPO capital raise

Subsequent to year-end, My Rewards has raised a further \$2,036,255 in funds from investors as a pre-IPO capital raise.

COVID-19

The impact of the COVID-19 pandemic is ongoing and while it has had some positive as well as negative impacts on the Company, it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

My Rewards International Limited & Controlled Entities
Directors' declaration
For the year ended 30 June 2021

In the Directors' opinion:

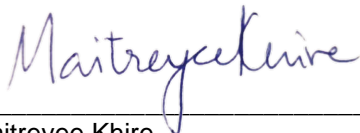
- the attached consolidated financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



David Vinson
Chairman and Executive Director



Maitreyee Khire
Managing Director

Date: 19 October 2021
Melbourne

INDEPENDENT AUDITOR'S REPORT

To the Members of My Rewards International Limited

Opinion

We have audited the consolidated financial report of My Rewards International Limited and controlled entities (consolidated entity), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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 consolidated entity 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 director of the consolidated entity, would be in the same terms if given to the director 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) in the financial report, which indicates that the Consolidated entity incurred a net loss of \$3,342,451 during the year ended 30 June 2021 and had net cash outflows from operating activities of \$1,719,504. Also as of that date, the current liabilities exceeded total current assets by \$4,236,222. As stated in Note 1(e), these events or conditions, along with other matters as set forth note in 1(e), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The director is responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2021, but does not include the financial report and the 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.

Responsibilities of the Directors for the Financial Report

The directors of the consolidated entity 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 consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Company or to cease operations, or has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RSM AUSTRALIA PTY LTD



R B MIANO
Director

Dated: 19 October 2021
Melbourne, Victoria