




ANNUAL REPORT 2021


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Butn Limited is a founder led Australian B2B funder innovating the way SMEs fund and grow their businesses. Butn focuses on transactional funding helping businesses through their working capital constraints.

ASX: BTN



**“FY21 was a milestone year
for Butn, culminating in our
successful IPO on the
6th July 2021.**

**The Board, together with our
shareholders, strategic partners and
staff look forward to the exciting
opportunities in FY22 and beyond.”**

Rael Ross

Butn's Co-founder and Co-CEO

Highlights

Strong financial position as at 30 June 2021

Continued origination growth to

\$207m

↑ **25%** on PcP

Cash on hand of

\$15.5m

↑ **56%** on PcP (prior to IPO)

Funding success

\$7.5m

Pre IPO in November 2020

\$5.0m

MYOB Australia (MYOB) strategic investment in January 2021

Post year end

\$20m

IPO (before costs) with strong institutional participation reflected in a supportive share register

Delivery of product and strategic partnerships

MYOB multi-year strategic partnership to provide embedded invoice finance to their user base

Butn Fintech tool launched in December 2020

Joint CEOs' letter



For our first letter to Butn shareholders in our inaugural Annual Report, we're delighted to be able to describe a year of accomplishments which will set us up for significant growth in FY22 and beyond.

Whilst Australia, and indeed most of the world, is experiencing the impact of the COVID-19 pandemic we remain optimistic that economies will rebound and that Butn will be well placed to flourish in the new environment. Our strong balance sheet positions us well for growth, with cash on hand of \$15.5 million and continued origination growth to \$207 million, up 25% on the prior year.

We were successful in raising \$7.5 million in the Pre-IPO in November 2020, followed in January 2021 with a \$5.0 million strategic investment and multi-year partnership by MYOB Australia. Shortly after the financial year end the company listed on the ASX (on 6th July) with a raise of \$20 million, with strong institutional participation reflected in the share register.

Butn's principal transactional funding product, also customised for MYOB, was completed during the period and has now gone live to MYOB Australia's business user base, as announced on the 23 August 2021. With a well-considered marketing campaign already in train we're envisaging a highly successful key partnership with MYOB.

In parallel with the MYOB strategic partnership, we have been working with a growing pipeline of platform partners across CRMs, marketplaces and aggregators who are in differing stages of adoptions, integration and delivery.

We're excited to be in a first to market partnership with Ola, which will see approximately 100,000 Ola rideshare driver-partners in Australia have access to the Butn Assist hotline for vehicle-related assistance in the event of an accident or breakdown.

As we progressively roll out our Butn funding products through our platform partners' distribution channels we can foresee a significant growth in revenue generation through 2022.

Lowering our debt funding costs has also been at the forefront of our attention, with positive moves well advanced and further deliberations already in place in that direction.

Solving financing problems for SMEs, with state-of-the-art integrated solutions, is the framework within which the entire team at Butn focuses its attention. We follow the "less is more" approach. Funding cash flow should not be the intimidating experience it often is. *Our* users can now navigate at the click of *our* Butn and enjoy the seamless experience.

The rapid adoption of cash flow funding solutions at the click of a Butn is our focus: with our highly credentialed tech team, built over the past few years and growing, we are confident we can continue to lead in the industry. We see ourselves as performing an essential role in providing the SME sector with the opportunity to expand their financing options, within the ecosystem that they have familiarity with, be it for funding their invoices, adopting BNPL, supply chain finance, factoring, advances on commissions, and more.

We're proud that we've built a team with talent and integrity, all with lived experiences in their fields of expertise. Investors can be confident, our customers can be assured of operational excellence, and our origination partners can be assured of our devoted attention to their constituency of users, buyers, sellers.

We have defined here, the basic principles and strategies we're using to build this company; we nurture talent, we innovate, we are continually improving risk, governance, and other controls, all to best serve our customers and, equally importantly, to fulfil our investors' expectations of us.

Our Board of Directors has been, and continues to be, a source of immeasurable importance to us as we strive to grow – to grow with new partners and by organic growth. Overseeing our strategies, capital requirements, and our standing in the marketplace is a challenge for any board of directors; our Butn board has embraced this challenge and responsibility with much vigour.

We have full confidence that this company will continue its upward growth trajectory and we trust all will continue to be with us for the ride.

Walter Rapoport and Rael Ross
Joint CEOs

Chair's letter

Dear Shareholders,

The financial year 2021 was a very busy one for Butn. The year was a transformational one with the overall objective of building Butn's growth platform and support base to deliver accelerated growth in financial year 2022 and beyond.

The company appointed a Board of Directors in September 2020. As at June 30th 2021, Butn's Board was comprised of five Directors including three independent non-executive directors as well as the Co-CEOs founders and executive directors, Rael Ross and Walter Rapoport. During the year, the Board created a governance framework designed to promote responsible management and conduct. In addition, Butn expanded its executive leadership team, operational and technology staff to support future growth.

In November 2020, Butn successfully raised \$7.5 million in a pre-IPO Convertible Note issue to institutional and sophisticated investors to further support Butn's operations, originations, distribution and receivables book growth. Further to this, in January 2021, we were pleased that MYOB Australia (MYOB) made a strategic investment of \$5 million (through MYOB Invest Co) and entered into a strategic partnership agreeing to provide Butn X, one of Butn's transactional funding products for business invoice factoring, for deployment to MYOB's business user base.

Financially, the year was characterized by continued momentum and strong demand from transactional funding to small and medium enterprises with originations growing to \$207 million, up 25% on the prior year. This demonstrates the resilience of small and medium enterprises despite ongoing lockdowns. Revenue of \$4.6 million was in line with the prior year, reflecting the challenging impacts of COVID-19 on higher margin segments and increased price competition as businesses navigated their way through the pandemic.

Butn recorded a statutory loss after tax of \$5.4 million as a result of restructuring and increased employment and other costs as part of increasing the base infrastructure and staff resources to service forecast future growth.

In December 2020, Butn launched its FinTech Solution allowing for mass distribution and rapid scaling of Butn's products to businesses in known, trusted environments

where they are transacting, whilst maintaining a people light business model.

The company achieved a successful ASX listing on July 6th, 2021 strongly positioning it for future growth raising \$20 million (pre costs) with strong institutional support. We have a strong balance sheet that is well primed for growth.



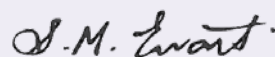
Butn is a growing business, who throughout FY21 established the foundations to continue our commitment to small to medium enterprises. Our priority continues to be to build a high growth, people light sustainable business drawing on our innovative approach, leading technology and strategic partnerships.

I would like to thank our partners and funders for their ongoing support and for sharing our vision.

I would also like to thank and congratulate our Co-CEOs, founders and Executive Directors, Rael Ross and Walter Rapoport, without whose vision none of this would be possible. Their commitment to the company together with Butn's CFO, Darryl Lasnitzki's hard work, and the management and staff of Butn, have positioned us for sustained growth in the future.

I would also like to thank my fellow Independent Directors, Mike Hirst and Georg Chmiel, for their guidance, contribution and collaboration throughout the year. On September 1st, 2021 we also welcomed Helen Lea, MYOB's representative director, to the Board, and we look forward to working with her.

Importantly, we thank our shareholders for their support and for sharing the vision of Butn on its journey so far.



Suzie Ewart
Chair

Butn pillars of growth



Directors' report

30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Butn Limited (referred to hereafter as the 'company', 'Butn' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

The following persons were directors of Butn Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Directors	Rael Ross – Executive Director (appointed 9th September 2020)
	Walter Rapoport – Executive Director (appointed 9th September 2020)
	Suzanne Ewart – Non-Executive Director and Independent Chair (appointed 18th September 2020)
	Georg Chmiel – Non-Executive Director and Independent Director (appointed 18th September 2020)
	Michael (Mike) Hirst – Non-Executive Director and Independent Director (appointed 18th September 2020)
CFO and Company Secretary	Darryl Lasnitzki (appointed 9th September 2020)

Principal activities

Butn Limited provides transactional funding to small and medium enterprises. This includes factoring, supply chain finance and commission advancement across a wide range of industries. In addition, the Group has developed a fintech solution to extend its funding approach and leverage reach through third party platforms.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$5,257,856 (30 June 2020: \$358,653).

The financial year saw continued growth in transactional funding to small and medium enterprises. This was supplemented by the launch of Butn's FinTech Solution in December 2020. The FinTech Solution allows for mass distribution and rapid scaling of Butn's products to businesses in known, trusted environments where they are transacting, whilst maintaining a people light business model. The Group continues to explore further opportunities to expand its offering and is in discussions with a growing pipeline of platform partners.

In November 2020, Butn successfully raised \$7.5 million in a pre-IPO Convertible Note issue to institutional and sophisticated investors to further support Butn's operations, originations, distribution and receivables book growth.

In January 2021, MYOB Australia entered into a strategic partnership agreeing to provide Butn X, one of Butn's transactional funding products for business invoice factoring, for deployment to MYOB Australia's business user base. Concurrently, MYOB Invest Co, a related body corporate of MYOB Australia, invested \$5.0 million on the same terms as the pre-IPO Convertible Note issue.

During the financial year Butn continued building and developing its team, including appointment of a Board of Directors, expanding the executive leadership team, operational and technology staff with the aim of supporting future growth.

Significant changes in the state of affairs

On 9 September 2020, the Group undertook an internal corporate restructure whereby the shareholders in Action Funding Group Pty Ltd exchanged their shares in that company for shares in Butn Limited in a “top hat restructure”. Each shareholder’s proportionate interest in Action Funding Group Pty Ltd was not altered as a result of the restructure. Prior to the restructure, Action Funding Group Pty Ltd was the parent company of the Group, however the effect of the restructure was to interpose Butn Limited as the new legal parent of the Group. While Butn Limited became the legal parent of the Group, this did not result in a business combination for accounting purposes with the restructure accounted for as a capital reorganisation by Butn Limited.

The financial statements of Butn Limited present a continuation of the existing Action Funding Group Pty Ltd. Assets and liabilities are recorded at their existing values in the statement of financial position of Butn Limited. The statement of financial performance is a continuation of the existing statement of financial performance for Action Funding Group Pty Ltd. As Butn Limited was only incorporated in September 2020, there is no historical financial information for Butn Limited. As such, the historical comparative financial information is the consolidated financial information of Action Funding Group Pty Ltd.

Other than those disclosed in the financial statements, no other significant changes occurred in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 6 July 2021, the Group listed on the Australian Securities Exchange via an initial public offer (IPO), raising \$20.0 million (before costs) via the issue of 40 million fully paid shares at an issue price of \$0.50. Details of the IPO are disclosed in note 35 of the financial statements.

Other than those disclosed in the financial statements, 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.

Likely developments and expected results of operations

The consolidated entity expects to see strong revenue growth, new platform opportunities and continued expansion of the Butn team supporting growth in the coming financial year.

Corporate Governance Statement

The Group and Board are committed to implementing and demonstrating best practice corporate governance. The Group has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. The Corporate Governance Statement is dated as at 30 June 2021 and was approved by the Board on 17 September 2021.

The Group’s corporate governance practices are set out on its website and can be viewed at <https://investors.butn.co>.

Environmental regulation

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

Directors' report

Continued

Information on directors

Name:	Suzanne Ewart
Title:	Non-Executive Chairman
Experience and expertise:	<p>Suzanne was appointed as a Non-Executive Director and Independent Chair of Butn on the 18th September 2020.</p> <p>Suzanne has served as chair, director and senior business leader for various organisations, specialising in chairing audit, risk, finance and remuneration committees. She has served on a number of boards in the financial services, technology, health, infrastructure and education sectors with expansive corporate governance and leadership skills drawn from many years of experience in major global businesses. With a strong background in treasury, finance, strategy, mergers and acquisitions, divestment and initial public offerings (in organisations including Fosters' Group, NAB, Telstra, BTR, Pacific Dunlop and Woodside Petroleum) together with strategic placements in executive level roles, Suzanne has experience in some of Australia's major ASX listed corporations. She has operated successfully within highly regulated environments, requiring considered stakeholder collaboration to achieve sustainable results.</p> <p>Suzanne currently serves on the board of Dexu Wholesale Funds Ltd and also chairs a Bendigo Community Bank. Suzanne has served on a number of other boards including as chair of .au Domain Administration Ltd, Box Hill Institute Group, Peter MacCallum Cancer Centre and Cell Therapies and as a director of Treasury Corporation Victoria and TT Line Pty Ltd.</p>
Special responsibilities:	Chair and member of the Nomination and Remuneration and the Audit and Risk Committees
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair
Interests in shares:	98,425 ordinary shares
Interests in options:	481,250 options

Name:	Rael Ross
Title:	Co-Founder, Co-Chief Executive Officer and Executive Director
Experience and expertise:	<p>Rael co-founded the Group and was appointed Executive Director and Co-Chief Executive Officer of Butn on the 9th September 2020.</p> <p>Understanding the need for technology to enable financing and digital distribution as companies seek access to finance, Rael co-founded Butn with Walter Rapoport. With over 15 years' experience in financial services, technology and business, Rael has driven the establishment of the Butn FinTech Solution.</p> <p>Rael has created, developed and executed technology and digital projects through several businesses. Rael co-founded what is today known as Tsikot.com, one of the leading online automotive platforms and the largest online automotive forum in the Philippines.</p> <p>As a qualified accountant, Rael has worked in private practice, the not-for-profit sector and for 'Big 4' accounting firms.</p> <p>Rael was awarded a full scholarship at Monash University, where he completed a Bachelor of Accounting. In 2020, Rael was awarded Australian Young Entrepreneur across multiple categories.</p>
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	36,191,572 ordinary shares
Interests in options:	1,300,000 options

Name:	Walter Rapoport
Title:	Co-Founder, Co-Chief Executive Officer and Executive Director
Experience and expertise:	<p>Walter co-founded the Group and was appointed Executive Director and Co-Chief Executive Officer of Butn on the 9th September 2020.</p> <p>His career spans more than 25 years as the founder and CEO of a knitwear manufacturing company supplying Australia's largest retailers, including a period as a licensee to Pierre Cardin.</p> <p>Understanding the importance for SMEs to have access to cash flow and capital, he co-founded Butn with Rael Ross.</p> <p>Walter has a proven ability to lead high performing teams throughout his career in manufacturing, finance, sales and marketing. He has vast experience in identifying, developing, and executing innovative receivables funding solutions and adapting products to digital transformations.</p> <p>Walter serves as Chair of the Multicultural Chambers of Commerce Group and chairs the Grampians Regional Advisory Council.</p> <p>Walter graduated from Monash University with a Bachelor of Economics.</p>

Directors' report

Continued

Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	36,191,572 ordinary shares
Interests in options:	1,300,000 options
Name:	Mike Hirst
Title:	Non-Executive Director
Experience and expertise:	<p>Mike was appointed as a Non-Executive Director of Butn on the 18th September 2020.</p> <p>Mike is a retired career banker who has worked across most areas of the banking industry and has extensive experience in retail banking, balance sheet management, financial markets and strategy. After 9 years in the role of Managing Director and Chief Executive Officer of Bendigo and Adelaide Bank, Mike retired in July 2018.</p> <p>Mike currently serves on a number of listed and not for profit boards including GMHBA, health.com.au, AMCIL, AMP Limited and Racing Victoria where he is Deputy Chair. Mike is an honorary member of the Business Council of Australia and was a Commissioner of the Federal Government's National COVID-19 Commission Advisory Board.</p> <p>Mike was previously Deputy Chair of Treasury Corporation of Victoria and the Australian Banking Association. He was also a director of Rural Bank, Sandhurst Trustees, Colonial First State Fund Managers, Barwon Health and Austraclear Limited.</p> <p>During the Global Financial Crisis, Mike was appointed to the Federal Government's Financial Sector Advisory Council and remained a member until his retirement.</p>
Special responsibilities:	Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Other current directorships:	Non-Executive Director of AMCIL Limited (since January 2019) and AMP Limited (since July 2021)
Former directorships (last 3 years):	Managing Director and Chief Executive Officer of Bendigo and Adelaide Bank Ltd and subsidiaries, including Rural Bank, until 2018
Interests in shares:	292,120 ordinary shares
Interests in options:	306,250 options

Name:	Georg Chmiel
Title:	Non-Executive Director
Experience and expertise:	<p>Georg was appointed as a Non-Executive Director of Butn on the 18th September 2020.</p> <p>Georg is currently the Executive Chair of Juwai IQI Holdings, one of Asia's largest property tech companies and Chair of iCarAsia. Georg is also Non-Executive Director of Centrepont Alliance and the PropTech Group (the leading real estate office company for Australia and New Zealand).</p> <p>Georg was previously Managing Director and Chief Executive Officer of the iProperty Group before it was sold to REA Group. Georg was also previously Non-Executive Director of Mitula Group before it was acquired by Lifull (2120:Tokyo) and Managing Director of LJ Hooker Group with 700 offices across ten countries and held the position of Chief Financial Officer and General Manager International at REA Group.</p> <p>Georg has over 25 years of experience in the real estate and online industry, working for companies such as Deutsche Bank and McKinsey & Company.</p> <p>Georg is the 2021 recipient of the Impact Lifetime Achievement Award for Property Excellence in Malaysia, winner of the C-Suite Leadership Excellence Award in 2020, the Asia Pacific Entrepreneurship Award in 2016 and the Top Outstanding Leaders Asia Award in 2015. He is a Certified Practicing Accountant and member of the American Institute of Certified Public Accountants. Georg is also a fellow of the Australian Institute of Company Directors and holds an MBA (INSEAD, France) and a computer science degree (TU Munich, Germany).</p>
Special responsibilities:	Member of the Nomination and Remuneration Committee and Chair of the Audit and Risk Committee
Other current directorships:	Chair of iCarAsia (since November 2016) and Non-Executive Director of Centrepont Alliance (since October 2016) and the PropTech Group (since August 2020)
Former directorships (last 3 years):	Non-Executive Director of Mitula Group till December 2018
Interests in shares:	60,000 ordinary shares
Interests in options:	306,250 options

CFO and Company Secretary

Darryl Lasnitzki

Darryl Lasnitzki joined the Group as its Chief Financial Officer on 27th August 2020 and was appointed Company Secretary on 9th September 2020.

He has over 20 years of experience in assurance, financial advisory and senior finance roles across various entrepreneurial, fast-growing businesses.

Darryl was previously Chief Financial Officer and Company Secretary of Nuchev Limited, building the business from conceptual start-up to its ASX listing in 2019. Prior to that Darryl held a number of senior roles including Group Financial Controller of Saracen Mineral Holdings Limited, as it transitioned from micro explorer to an ASX200 gold producer.

Darryl is a Chartered Accountant, holds a Graduate Diploma in Applied Corporate Governance and a Bachelor of Commerce from Monash University. He is a member of the Institute of Australian Chartered Accountants and Fellow of the Governance Institute of Australia.

Directors' report

Continued

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Board		Nomination and Remuneration Committee [*]		Audit and Risk Committee [*]	
	Attended	Held	Attended	Held	Attended	Held
Rael Ross	10	10	–	–	–	–
Walter Rapoport	10	10	–	–	–	–
Suzanne Ewart	10	10	–	–	–	–
Georg Chmiel	9	10	–	–	–	–
Mike Hirst	10	10	–	–	–	–

Held: represents the number of meetings held during the time the director held office.

* Separate committee meetings (for the Audit and Risk Committee and Nomination and Remuneration Committee) will commence once Butn Limited is listed. Prior to this, matters were dealt with by the Board.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, 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.

The Report details the remuneration arrangements for the company's key management personnel ("KMP"):

- Non-Executive Directors ("NEDs"); and
- Executive Directors and senior executives (collectively the "executives").

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation; and
- Additional disclosures relating to KMP.

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns reward with the achievement of strategic objectives and the creation of value for shareholders, with regard to relevant market practice.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Group's remuneration policies and principles were established by the Board and, in the future, will be guided by the Nomination and Remuneration Committee (the "Committee"). The Committee is made up of independent NEDs, with a minimum of three members. The Committee's remit is to review and determine the Group's Remuneration Policy and structure annually to ensure that it remains aligned to business needs and meets the Group's remuneration principles.

The Group aims to ensure that its remuneration policies are governed by the following guiding principles:

- Maintain a people light business, whilst recognising people are a critical input to success;
- Remuneration should scale with the business, with regular reviews to reflect the business stage and risk profile;
- Remuneration should align long-term interests of shareholders, rewarding long-term success; and
- Equity encourages performance and acting like owners.

The Committee is responsible for determining and reviewing remuneration arrangements for NEDs and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. The Committee charter is reviewed annually to ensure that it remains appropriate for the Group.

Where relevant, in consultation with external consultants, the Group seeks to structure a remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align reward to shareholders' interests by:

- attracting and retaining high calibre employees;
- rewarding capability and experience;
- reflecting competitive reward for contribution to sustainable growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Director and executives' remuneration is separate.

Non-Executive Directors' remuneration

Fees and payments to NEDs reflect the demands and responsibilities of their role. The Committee may, from time to time, receive advice from consultants to ensure NEDs' fees and payments are appropriate and in line with the market.

NEDs do not receive performance-based pay or retirement allowances.

Under the company's constitution, the company's NEDs are entitled to be paid for their services as directors, such annual fees as the directors determine, provided the annual fees do not exceed in aggregate the maximum sum that is from time to time approved by the Shareholders in a general meeting in accordance with the ASX Listing Rules. This sum does not include remuneration in the form of share, option or other equity plans separately approved by the Shareholders in a general meeting. For the purposes of the Constitution and the ASX Listing Rules, the company has set a cap of \$400,000.

The company has entered into appointment letters with each NED on the following key terms:

- Suzanne Ewart will receive an annual remuneration of \$110,000 (exclusive of superannuation);
- Mike Hirst will receive an annual remuneration of \$70,000 (exclusive of superannuation); and
- Georg Chmiel will receive an annual remuneration of \$70,000 (exclusive of superannuation).

Directors' report

Continued

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Total fixed remuneration ("TFR"), consisting of base salary, superannuation and non-monetary benefits, are based on individual performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other benefits where it does not create additional costs to the consolidated entity.

Details of the short-term incentive ('STI') plan is detailed below:

Executive KMP receive performance-based remuneration which reward performance over the financial year. STI objectives are reviewed by the Committee and are paid in cash up to 20% of base annual salary (pro-rated), subject to the performance criteria being met. The Board has discretion to adjust STI outcomes, including reducing (down to zero, if appropriate) any STI award. The company listed in July 2021, with individual performance criteria to be defined for the next financial period.

Details of the long-term incentive ('LTI') plan is detailed below.

Employee Incentive Plan

The Employee Incentive Plan (EIP) was adopted by resolution in September 2020.

To date the Group has issued 6,818,750 Options for no cost with a 5-year expiry. The options have an exercise price of \$0.50 per option (being the IPO issue price) and vest as follows:

- Tranche 1 (one-third of Options): On the company listing;
- Tranche 2 (one-third of Options): Continued employment until 6 July 2022; and
- Tranche 3 (one-third of Options): Continued employed until 6 July 2023.

There is no performance element attached to the LTI plan. The LTI is based on time and is deemed to be an appropriate measure of reward in the absence of concluding a performance measure.

Use of consultants

The Committee may engage and consider advice from consultants where appropriate in relation to remuneration matters including the setting and establishment of the STI, LTI, the remuneration mix and quantum for KMP and other employees. No consultants were used in the current period.

Clawback of remuneration

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board has the ability to reduce, cancel or clawback LTI in certain circumstances.

Trading policy

The Group has implemented a Trading Policy which applies to employees and KMP's. The policy prohibits employees from dealing in the company's securities while in possession of material non-public information relevant to the Group. The policy also includes for designated employees and their closely related parties, black-out periods during which no trade in the Group's securities can occur as well as a prohibition on entering into any margin lending, short-term trading, short selling or derivative arrangements. The Group considers a breach of this policy as gross misconduct, which may lead to disciplinary action and potential dismissal.

Details of remuneration

Amounts of remuneration

Details of the remuneration of KMP of the consolidated entity are set out in the following tables.

The KMP of the consolidated entity consisted of the following directors of Butn Limited:

- Suzanne Ewart – Independent, Non-Executive Chair
- Georg Chmiel – Independent, Non-Executive Director
- Mike Hirst – Independent, Non-Executive Director
- Rael Ross – Co-Chief Executive Officer and Executive Director
- Walter Rapoport – Co-Chief Executive Officer and Executive Director
- Darryl Lasnitzki – Chief Financial Officer and Company Secretary.

		Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	Cash salary and fees \$	Annual leave \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
Non-Executive Directors:								
Suzanne Ewart (Chair)*	87,389	–	–	–	8,302	–	28,554	124,245
Georg Chmiel*	55,611	–	–	–	5,283	–	18,171	79,065
Mike Hirst*	55,611	–	–	–	5,283	–	18,171	79,065
Executive Directors:								
Rael Ross	154,705	21,093	17,381	–	14,697	20,136	77,133	305,145
Walter Rapoport	154,705	21,093	17,381	–	14,697	20,136	77,133	305,145
Other KMP:								
Darryl Lasnitzki**	212,500	15,311	24,795	–	20,188	193	74,167	347,154
	720,521	57,497	59,557	–	68,450	40,465	293,329	1,239,819

* Represents remuneration from 18 September 2020 to 30 June 2021.

** Represents remuneration from 27 August 2020 to 30 June 2021.

Directors' report

Continued

		Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees \$	Annual leave \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
Executive Directors:								
Rael Ross	100,000	21,052	–	–	9,500	3,637	–	134,189
Walter Rapoport	100,000	21,052	–	–	9,500	3,637	–	134,189
	200,000	42,104	–	–	19,000	7,274	–	268,378

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2021	2020	2021	2020	2021	2020
Non-Executive Directors:						
Suzanne Ewart	77%	–	–	–	23%	–
Georg Chmiel	77%	–	–	–	23%	–
Mike Hirst	77%	–	–	–	23%	–
Executive Directors:						
Rael Ross	69%	100%	6%	–	25%	–
Walter Rapoport	69%	100%	6%	–	25%	–
Other KMP:						
Darryl Lasnitzki	71%	–	7%	–	21%	–

The proportion of the cash bonus payable or forfeited is as follows:

	Cash bonus payable		Cash bonus forfeited	
Name	2021	2020	2021	2020
Executive Directors:				
Rael Ross	100%	–	–	–
Walter Rapoport	100%	–	–	–
Other KMP:				
Darryl Lasnitzki	100%	–	–	–

Service agreements

Remuneration and other terms of employment for executive KMP are formalised in service agreements. Details of these agreements are as follows:

Name:	Rael Ross
Title:	Co-Chief Executive Officer
Term of agreement:	Ongoing
Details:	Base salary of \$260,000 plus superannuation; 6-month termination notice by either party; STI cash bonus of up to 20% of base salary (pro-rated) subject to approval and performance criteria; LTI bonus subject to employment retention criteria, non-solicitation and non-compete clauses.

Name:	Walter Rapoport
Title:	Co-Chief Executive Officer
Term of agreement:	Ongoing
Details:	Base salary of \$260,000 plus superannuation; 6-month termination notice by either party; STI cash bonus of up to 20% of base salary (pro-rated) subject to approval and performance criteria; LTI bonus subject to employment retention criteria, non-solicitation and non-compete clauses.

Name:	Darryl Lasnitzki
Title:	Chief Financial Officer and Company Secretary
Term of agreement:	Ongoing
Details:	Base salary of \$250,000 plus superannuation; 3-month termination notice by either party; STI cash bonus of up to 20% of base salary (pro-rated) subject to approval performance criteria; LTI bonus subject to employment retention criteria, non-solicitation and non-compete clauses.

Executive KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of their compensation during the year ended 30 June 2021.

Options

In September 2020, the Group adopted the Employee Incentive Plan (EIP) to provide ongoing incentives to any full time or part time employee of the company or any of its subsidiaries (including a director or company secretary of the company or its subsidiaries who hold salaried employment with the company or its subsidiaries on a full or part time basis), or a consultant, who is determined by the Board to be eligible to receive grants of Options under the EIP. All options were granted over unissued fully paid ordinary shares in the company. Options vest based on the provision of service over the vesting period whereby the recipient becomes beneficially entitled to the option from the vesting date. There has not been any alteration to the terms of conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Directors' report

Continued

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Suzanne Ewart	481,250	08/01/2021	Various*	08/01/2026	\$0.50	\$0.178
Georg Chmiel	306,250	08/01/2021	Various*	08/01/2026	\$0.50	\$0.178
Mike Hirst	306,250	08/01/2021	Various*	08/01/2026	\$0.50	\$0.178
Rael Ross	1,300,000	26/02/2021	Various*	26/02/2026	\$0.50	\$0.178
Walter Rapoport	1,300,000	26/02/2021	Various*	26/02/2026	\$0.50	\$0.178
Darryl Lasnitzki	1,250,000	08/01/2021	Various*	08/01/2026	\$0.50	\$0.178

* Options will vest in three equal tranches with the first tranche vesting on the date that the company is listed with the remaining tranches vesting 12 months and 24 months after the listing date, respectively. Options can be exercised at any time after the date of vesting until the expiry date. Options granted carry no dividend or voting rights.

** Determined at the time of grant refer to note 37.

Values of options over ordinary shares granted, exercised and lapsed for directors and other KMP as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Suzanne Ewart	85,663	–	–	23%
Georg Chmiel	54,513	–	–	23%
Mike Hirst	54,513	–	–	23%
Rael Ross	231,400	–	–	25%
Walter Rapoport	231,400	–	–	25%
Darryl Lasnitzki	222,500	–	–	21%

Additional disclosures relating to KMP

Shareholding

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Share split	Balance at the end of the year
Ordinary shares					
Rael Ross	6	–	–	36,191,566	36,191,572
Walter Rapoport	6	–	–	36,191,566	36,191,572
	12	–	–	72,383,132	72,383,144

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
Options over ordinary shares					
Suzanne Ewart	–	481,250	–	–	481,250
Georg Chmiel	–	306,250	–	–	306,250
Mike Hirst	–	306,250	–	–	306,250
Rael Ross	–	1,300,000	–	–	1,300,000
Walter Rapoport	–	1,300,000	–	–	1,300,000
Darryl Lasnitzki	–	1,250,000	–	–	1,250,000
	–	4,943,750	–	–	4,943,750

Loan – Shareholders

The company has previously entered into loan agreements with Why R Pty Ltd (an entity associated with Rael Ross) and Walter Rapoport being shareholders of the Group. The loans, totalling \$3,764,119 (30 June 2020: \$3,833,288), are unsecured, earn no interest and have no specific maturity.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and officers of the company in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith. The company paid a premium in respect of a contract to insure the directors and officers 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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision for non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporation Act 2001*.

Directors' report

Continued

The directors are of the opinion that the services are disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the *Corporation Act 2001* for the following reasons:

- All non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and reward.

Shares under option

Unissued ordinary shares of Butn Limited under option at the date of this report are as follows:

Description	Expiry date	Exercise price	Number of options
ESOP	08/01/2026	\$0.50	4,218,750
ESOP	26/02/2026	\$0.50	2,600,000
Lead manager	06/07/2024	\$0.60	1,600,000
Lead manager	06/07/2024	\$0.70	1,600,000
Lead manager	06/07/2024	\$0.80	1,600,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

During or since the end of the financial year, Butn Limited issued ordinary shares following its listing on the Australian Securities Exchange via an initial public offer (IPO) on 6 July 2021. Details of the IPO are disclosed in note 35 of the financial statements.

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 after the directors' report.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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



Walter Rapoport
Director



Rael Ross
Director

Date: 27 August 2021

Auditor's independence declaration



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Melbourne VIC 3008
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Australia

DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF BUTN LIMITED

As lead auditor of Butn Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Butn Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'James Dixon', is written over a light blue rectangular background.

James Dixon
Director

BDO Audit Pty Ltd

Melbourne, 27 August 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Financial report

General information

The financial statements cover Butn Limited as a consolidated entity consisting of Butn Limited and the entities it controlled at the financial year ended 30 June 2021. The financial statements are presented in Australian dollars, which is Butn Limited's functional and presentation currency.

Butn Limited is a company limited by shares, incorporated and domiciled in Australia.

Registered office

Level 25
525 Collins Street
Melbourne
VIC 3000

Principal place of business

Suite 10
229 Balaclava Road
Caulfield North
VIC 3161

Statement of profit and loss and other comprehensive income

For the year ended 30 June 2021

		Consolidated	
	Note	2021 \$	2020 \$
Revenue	4	4,549,338	4,651,313
Operating expenses			
Employee expense		(1,883,546)	(596,118)
Other expenses	6	(3,273,915)	(1,357,210)
Occupancy		(79,981)	(24,369)
		(688,104)	2,673,616
Interest revenue		12,234	16,490
Other income	5	233,000	85,795
Depreciation and amortisation expense	6	(868,298)	(476,516)
Share-based payments expense	37	(1,007,227)	–
Finance costs	6	(4,133,543)	(2,729,990)
Loss before income tax benefit		(6,451,938)	(430,605)
Income tax benefit	7	1,194,082	71,952
Loss after income tax benefit attributable to the owners of Butn Limited		(5,257,856)	(358,653)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive loss attributable to the owners of Butn Limited		(5,257,856)	(358,653)
Loss for the year is attributable to:			
Non-controlling interest		–	–
Owners of Butn Limited		(5,257,856)	(358,653)
		(5,257,856)	(358,653)
Basic loss per share	29	(0.71)	(29,888)
Diluted loss per share	29	(0.71)	(29,888)

The above statement of profit and loss should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2021

		Consolidated	
	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	8	15,517,647	9,923,219
Trade and other receivables	9	29,699,108	28,966,866
Other	10	971,256	137,209
Total current assets		46,188,011	39,027,294
Non-current assets			
Right-of-use assets	11	–	6,770
Intangibles	12	5,655,316	4,080,984
Deferred tax	13	1,453,227	271,414
Total non-current assets		7,108,543	4,359,168
Total assets		53,296,554	43,386,462
Liabilities			
Current liabilities			
Trade and other payables	15	1,319,061	724,894
Borrowings	16	7,940,659	909,307
Lease liabilities	17	–	7,234
Income tax	18	150,513	52,267
Employee benefits		391,431	153,410
Provisions		22,177	12,219
Deferred revenue		371,489	475,123
Accruals	19	614,000	99,000
Total current liabilities		10,809,330	2,433,454
Non-current liabilities			
Borrowings	20	38,820,897	41,833,288
Deferred tax	21	–	1,862
Employee benefits		70,248	24,900
Total non-current liabilities		38,891,145	41,860,050
Total liabilities		49,700,475	44,293,504
Net assets / (liabilities)		3,596,079	(907,042)
Equity			
Issued capital	22	8,753,762	12
Reserves	23	459,078	(548,149)
Accumulated losses		(5,616,761)	(358,905)
Total equity / (deficiency)		3,596,079	(907,042)

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

Statement of changes in equity

For the year ended 30 June 2021

Consolidated	Issued capital \$	Convertible notes \$	Capital reconstruction reserves \$	Share-based payments reserves \$	Accumulated losses \$	Total (deficiency) equity \$
Balance at 1 July 2019	12	–	–	–	(252)	(240)
Loss after income tax benefit for the year	–	–	–	–	(358,653)	(358,653)
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(358,653)	(358,653)
Net equity acquired under common control transactions	–	–	(548,149)	–	–	(548,149)
Balance at 30 June 2020	12	–	(548,149)	–	(358,905)	(907,042)
Balance at 1 July 2020	12	–	(548,149)	–	(358,905)	(907,042)
Loss after income tax benefit for the year	–	–	–	–	(5,257,856)	(5,257,856)
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(5,257,856)	(5,257,856)
Share-based payments expense (note 23)	–	–	–	1,007,227	–	1,007,227
Contributions of equity, net of transaction costs (note 22)	–	8,753,750	–	–	–	8,753,750
Balance at 30 June 2021	12	8,753,750	(548,149)	1,007,227	(5,616,761)	3,596,079

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

Statement of cash flows

For the year ended 30 June 2021

		Consolidated	
	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from clients		4,673,267	4,422,331
Payments to suppliers and employees		(4,753,049)	(1,514,105)
Interest received		9,301	16,490
Other receipts		260,000	58,795
Interest paid		(3,200,579)	(2,210,943)
Taxes refunded/(paid)		581,404	(36,157)
Net cash (used in)/from operating activities	36	(2,429,656)	736,411
Cash flows from investing activities			
Proceeds from receivables		200,283,415	149,990,314
Payment for receivables		(201,165,342)	(164,518,934)
Payments for property, plant and equipment		(11,797)	(457)
Payments for intangibles		(2,142,340)	(1,287,231)
Net cash used in investing activities		(3,036,064)	(15,816,308)
Cash flows from financing activities			
Proceeds from convertible notes		12,500,000	–
Transaction costs on convertible notes		(495,000)	–
Transaction costs on IPO		(743,164)	–
Proceeds from borrowings		–	24,645,551
Repayment of borrowings		(198,725)	(1,792,830)
Net cash from financing activities		11,063,111	22,852,721
Net increase in cash and cash equivalents		5,597,391	7,772,824
Cash and cash equivalents at the beginning of the financial year		9,910,383	12
Cash at the beginning of the financial year (as part of group restructure)		–	2,137,547
Cash and cash equivalents at the end of the financial year	8	15,507,774	9,910,383

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

Notes to the financial statements

30 June 2021

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements of the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Butn Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021 are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet completed its assessed impact of these new or amended Accounting Standards and Interpretations but does not expect them to be material at this stage.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

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').

The financial statements have been prepared, using an accrual basis and under the historical cost convention.

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 consolidated entity'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.

Going concern

The directors believe the Group has sufficient resources to pay its debts and meet its commitments for at least the next 12 months from the date of this financial report due to the Group having:

- a positive net asset position at 30 June 2021 of \$3,596,079 (30 June 2020: net asset deficiency of \$907,042);
- strong cash reserves boosted by the capital raises during the financial year and long dated debt; and
- the company completing an IPO on 6 July 2021 which has further increased its available cash as detailed in note 35.

Accordingly, no adjustments have been made and the financial statements have been prepared on a going concern basis.

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 33.

Principles of consolidation

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

Notes to the financial statements

Continued

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Where the consolidated entity 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 consolidated entity 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed in revenue are net of returns, allowances, rebates and amount collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities.

Revenue is recognised for the major business activities as follows:

Revenue

Revenue is recognised using the application of the credit adjusted effective interest rate ("EIR") to the amortised cost of the purchased debt ledgers or transactions under AASB 9 Financial Instruments. Revenue is shown net of any adjustments to the carrying amount of purchased debt ledgers or transactions as result of changes in estimated cash flows. The EIR is the rate that discounts estimated future cash receipts of the purchased debt ledgers or transactions to the net carrying amounts (i.e. the price paid to acquire the asset). Revenue from rendering services is recognised to the extent that the performance obligation has been met, revenue benefits are expected to flow to the Group and the revenue can be reliably measured. Money received in advance is deferred and recognised as a deferred revenue liability.

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.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. R&D tax incentives received or receivable are accounted for under AASB 120 *Government Grants* as other income, unless related to capitalised expenditure in which case it is offset against the asset and realised through a lower amortisation charge across the asset's useful life.

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.

Note 1. Significant accounting policies (continued)

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.

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.

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 consolidated entity'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 consolidated entity'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.

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. Restricted cash, represents cash held by the entity that has a specific usage purpose disclosed in note 8.

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 between 30 to 90 days.

The consolidated 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.

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

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.

Notes to the financial statements

Continued

Note 1. Significant accounting policies (continued)

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	1–7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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.

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, 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.

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.

Intellectual property

Significant costs associated with intellectual property related to Butn's FinTech Solution are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Borrowing costs

Costs in relation to borrowings are capitalised as an asset and amortised on a straight-line basis over the period of the finance arrangement.

Customer list

Significant costs associated with customer list acquisitions are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 12 years.

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.

Note 1. Significant accounting policies (continued)

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

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.

Finance costs

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

Provisions

Provisions are recognised when the consolidated entity has a present 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.

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 employee benefits 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the financial statements

Continued

Note 1. Significant accounting policies (continued)

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using an option pricing model that takes into account, amongst other things, the exercise price, the term of the option, the share price at grant date and expected price volatility, the expected dividend yield and the risk-free interest rate for the term of the option.

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.

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 as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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.

Convertible notes

Host contract liabilities contained within the convertible notes are initially recognised at fair value and are subsequently recognised on an amortised cost basis until extinguished on conversion or maturity. In addition, subsequent to initial recognition, derivatives associated with the convertible note liability are accounted for at fair value through the profit and loss. On maturity, the host liability and related embedded derivative liabilities associated with the convertible note are transferred to equity upon conversion to shares.

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.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of Butn Limited, by the weighted average number of ordinary shares outstanding 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 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.

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 net of the amount of GST recoverable from, or payable to, the tax authority.

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 significant judgements, estimates and assumptions by management include:

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. There does not currently appear to be a material impact upon the financial statements or significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date, as a result of the Coronavirus (COVID-19) pandemic.

Share-based payments transactions

The consolidated entity measures the cost of equity-settled transactions with employees and others by reference to their fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate option pricing model taking into account the terms and conditions upon which the instruments were granted. Share-based payments transactions are further detailed in note 37.

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. Allowance for expected credit losses are further detailed in note 9.

Notes to the financial statements

Continued

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

Estimation of useful lives of assets

The consolidated entity 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, become technically obsolete or non-strategic and subsequently abandoned or sold off.

Note 3. Accounting for the internal corporate restructure

On 9 September 2020, the Group undertook a corporate restructure whereby the shareholders in Action Funding Group Pty Ltd exchanged their shares in that company for shares in Butn Limited in a "top hat restructure". Each shareholder's proportionate interest in Action Funding Group Pty Ltd was not altered as a result of the restructure. Prior to the restructure, Action Funding Group Pty Ltd was the parent company of the Group, however the effect of the restructure was to interpose Butn Limited as the new legal parent of the Group. While Butn Limited became the legal parent of the Group, this did not result in a business combination for accounting purposes with the restructure accounted for as a capital reorganisation by Butn Limited.

The financial statements of Butn Limited present a continuation of the existing Action Funding Group Pty Ltd. Assets and liabilities are recorded at their existing values in the statement of financial position of Butn Limited. The statement of financial performance is a continuation of the existing statement of financial performance for Action Funding Group Pty Ltd. As Butn Limited was only incorporated in September 2020, there is no historical financial information for Butn Limited. As such, the historical comparative financial information is the consolidated financial information of Action Funding Group Pty Ltd.

Note 4. Revenue

	Consolidated	
	2021 \$	2020 \$
Revenue	4,549,338	4,651,313

Note 5. Other Income

	Consolidated	
	2021 \$	2020 \$
Government grants	233,000	85,795

Note 6. Expenses

	Consolidated	
	2021 \$	2020 \$
Loss before income tax includes the following specific expenses:		
Depreciation		
Fixtures and fittings	11,797	457
Right-of-use assets	6,770	40,223
Total depreciation	18,567	40,680
Amortisation		
Intellectual property	284,254	–
Customer list	229,114	165,689
Borrowing costs	336,363	270,147
Total amortisation	849,731	435,836
Total depreciation and amortisation	868,298	476,516
Finance costs		
Interest and finance charges paid / payable	3,218,126	2,609,683
Interest and finance charges paid / payable to shareholders	–	120,307
Transaction costs on embedded derivative	123,750	–
Fair value adjustments on embedded derivative	791,667	–
Total finance costs	4,133,543	2,729,990
Superannuation		
Defined contribution superannuation expense	121,237	42,991
Other expenses		
Bad debts	194,904	110,408
Allowances for expected credit losses	65,000	215,000
Consulting fees	1,454,855	274,243
Insurance	333,948	141,810
Legal fees	511,509	263,273
Sundry expense	480,667	231,654
Bank charges	112,413	105,561
Subscriptions	120,619	15,261
	3,273,915	1,357,210

Notes to the financial statements

Continued

Note 7. Income tax benefit

	Consolidated	
	2021 \$	2020 \$
Income tax benefit		
Current tax	(10,407)	(149)
Deferred tax – origination and reversal of temporary differences	(1,183,675)	(71,803)
Aggregate income tax benefit	(1,194,082)	(71,952)
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets (note 13)	(1,181,813)	(60,742)
Decrease in deferred tax liabilities (note 21)	(1,862)	(11,061)
Deferred tax – origination and reversal of temporary differences	(1,183,675)	(71,803)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(6,451,938)	(430,605)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(1,677,504)	(118,416)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	139,911	45,565
Right-of-use assets	–	(166)
Other non-deductible expenses	337,082	1,101
Difference in tax rate	(109)	(36)
Change in statutory tax rate	6,538	–
Income tax benefit	(1,194,082)	(71,952)

Note 8. Current assets – cash and cash equivalents

	Consolidated	
	2021 \$	2020 \$
Cash on hand	1,211	1,199
Cash at bank	15,515,153	9,920,737
Cash on deposit	1,283	1,283
	15,517,647	9,923,219

Note 8. Current assets – cash and cash equivalents (continued)

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:

	Consolidated	
	2021 \$	2020 \$
Balances as above	15,517,647	9,923,219
Credit card – (note 16)	(9,873)	(12,836)
Balance as per statement of cash flows	15,507,774	9,910,383

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earns interest at the respective short-term deposit rates.

Restricted cash, represents cash held by the entity that has a specific usage purpose as required by the funding arrangements described in note 20. Restricted cash is combined for the purpose of presentation in the statement of balance sheet and the statement of cash flows. As at 30 June 2021, \$8,431,232 of the cash and cash equivalents disclosed above is classified as restricted and can only be used to fund trade receivables.

Note 9. Current assets – trade and other receivables

	Consolidated	
	2021 \$	2020 \$
Trade receivables	29,568,768	29,154,866
Less: Allowance for expected credit losses	(280,000)	(215,000)
	29,288,768	28,939,866
Other receivables	8,809	27,000
BAS receivable	401,531	–
	29,699,108	28,966,866

Trade receivables are generally settled on terms of between 30 and 90 days. Client credit risk is influenced by individual debtors with the majority retailers and insurance companies with established credit worthiness. The Group also has recourse and/or security to its underlying clients in certain circumstances. New clients are assessed in advance of trading, and monitored on an ongoing basis to minimise bad debts. For trade and other receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). The Group recognises a loss allowance based on lifetime ECLs at each reporting date incorporating its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is considered by the Group to be in default and is written off when internal or external information indicates that there is no reasonable expectation of recovering the contractual cash flows.

Notes to the financial statements

Continued

Note 9. Current assets – trade and other receivables (continued)

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

	Consolidated	
	2021 \$	2020 \$
Opening balance	215,000	–
Additional provisions recognised	65,000	215,000
Closing balance	280,000	215,000

Note 10. Current assets – other

	Consolidated	
	2021 \$	2020 \$
Prepayments	61,262	87,209
Deferred IPO costs	854,994	–
Loan – other	55,000	50,000
	971,256	137,209

Note 11. Non-current assets – right-of-use assets

	Consolidated	
	2021 \$	2020 \$
Rental leases – right-of-use	39,265	96,815
Less: Accumulated depreciation	(39,265)	(90,045)
	–	6,770

Rental leases are short-term in nature and following expiry of the current term will continue until either party to the contract provides notice to terminate.

Note 12. Non-current assets – intangibles

	Consolidated	
	2021 \$	2020 \$
Customer list – at cost	2,485,328	2,485,328
Less: Accumulated amortisation	(895,033)	(665,919)
	1,590,295	1,819,409
Intellectual property – at cost	4,249,801	1,334,686
Less: Accumulated amortisation	(284,254)	–
Less: R&D offset	(491,052)	–
	3,474,495	1,334,686
Borrowing costs	1,278,750	1,278,750
Less: Accumulated amortisation	(688,224)	(351,861)
	590,526	926,889
	5,655,316	4,080,984

Reconciliations

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

Consolidated	Borrowing costs \$	Intellectual property \$	Customer list \$	Total \$
Balance at 1 July 2020	926,889	1,334,686	1,819,409	4,080,984
Additions	–	2,915,115	–	2,915,115
R&D offset	–	(491,052)	–	(491,052)
Amortisation expense	(336,363)	(284,254)	(229,114)	(849,731)
Balance at 30 June 2021	590,526	3,474,495	1,590,295	5,655,316

Notes to the financial statements

Continued

Note 13. Non-current assets – deferred tax

	Consolidated	
	2021 \$	2020 \$
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	991,977	130,680
Employee benefits	125,850	52,395
Cost of raising equity	102,960	–
Leases	–	1,989
Provision for doubtful debts	72,800	59,125
Accrued expenses	159,640	27,225
Deferred tax asset	1,453,227	271,414
Movements:		
Opening balance	271,414	95
Credited to profit or loss (note 7)	1,181,813	60,742
Additions through business combinations	–	210,577
Closing balance	1,453,227	271,414

Note 14 – Non-current assets – property, plant and equipment

	Consolidated	
	2021 \$	2020 \$
Office furniture and equipment – at cost	36,649	24,852
Less: Accumulated depreciation	(36,649)	(24,852)
	–	–
Fixtures and fittings – at cost	7,092	7,092
Less: Accumulated depreciation	(7,092)	(7,092)
	–	–
	–	–

Note 14 – Non-current assets – property, plant and equipment (continued)

Reconciliations

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

Consolidated	Office furniture and equipment \$	Total \$
Balance at 1 July 2020	–	–
Additions	11,797	11,797
Depreciation expense	(11,797)	(11,797)
Balance at 30 June 2021	–	–

Note 15. Current liabilities – trade and other payables

	Consolidated	
	2021 \$	2020 \$
Trade payables	709,381	55,796
ATO Integrated Account payable	66,557	79,078
Other payables	543,123	590,020
	1,319,061	724,894

Note 16. Current liabilities – borrowings

	Consolidated	
	2021 \$	2020 \$
Credit card	9,873	12,836
Insurance premium funding	–	86,188
Loan – Shareholders (i)	3,764,119	–
Loan – Action Funding (Aust) Pty Ltd	–	810,283
Embedded derivative (ii)	3,375,000	–
Fair value adjustments on embedded derivative (ii)	791,667	–
	7,940,659	909,307

(i) Loan – Shareholders

The company has previously entered into loan agreements with Why R Pty Ltd (an entity associated with Rael Ross) and Walter Rapoport being shareholders of the Group. The loans are unsecured, earn no interest and have no specific maturity.

The loan amount includes \$750,000 of AFC 2018-1 Trust Class C bonds and \$1,250,000 AFC 2019-1 Trust Class C bonds which incur losses in priority to the AFC 2018-1 and 2019-1 Trust Class A and B bonds disclosed in note 20.

Notes to the financial statements

Continued

Note 16. Current liabilities – borrowings (continued)

(ii) Embedded Derivative

The company issued \$7.5 million convertible notes in November 2020 and a further \$5.0 million convertible notes in January 2021 as part of a Pre IPO capital raising. The convertible notes have a maximum 12-month term, a 10% capitalised coupon rate and convert to equity at the earlier of an IPO or term maturity. Under AASB 9 an embedded derivative is separated from the host contract, valued first and the residual classified as equity on the basis of a mandatory conversion at maturity as disclosed in note 22. The fair value of the embedded derivative has been determined with reference to the underlying differential in value between the issue date and maturity and the probabilities of the conversion. The embedded derivative is fair valued at each reporting period, with fair value adjustments taken to the profit and loss. Transaction costs associated with the embedded derivative have been expensed.

Note 17. Current liabilities – lease liabilities

	Consolidated	
	2021 \$	2020 \$
Lease liability	–	7,234

Note 18. Current liabilities – income tax

	Consolidated	
	2021 \$	2020 \$
Provision for income tax	150,513	52,267

Note 19. Current liabilities – accruals

	Consolidated	
	2021 \$	2020 \$
Accruals	614,000	99,000

Note 20. Non-current liabilities – borrowings

	Consolidated	
	2021 \$	2020 \$
Loan – AMAL Trustees Pty Ltd (AFC 2018-1 Trust) (i)	14,250,000	14,250,000
Loan – AMAL Trustees Pty Ltd (AFC 2019-1 Trust) (ii)	23,750,000	23,750,000
Loan – Action Funding (Aust) Pty Ltd (iii)	820,897	–
Loan – Shareholders	–	3,833,288
	38,820,897	41,833,288

Note 20. Non-current liabilities – borrowings (continued)

(i) Loan – AMAL Trustees Pty Ltd (AFC 2018-1 Trust)

In November 2018 the Group entered a corporate bond agreement with AMAL Trustees Pty Ltd to provide Australian dollar, fix rate debt funding to grow its loan book as follows:

	Amount	Interest Rate per annum, payable monthly
Class A	\$12,750,000	8%
Class B	\$1,500,000	12%
	\$14,250,000	

After 3 years there is a call option at which time the Group can buy back the bonds. Alternatively, if the option is not taken, there is an interest increase with AFC 2018-1 Trust Class A bonds stepping up to 12% per annum and AFC 2018-1 Trust Class B bonds to 16% per annum. The AFC 2018-1 Trust bonds mature in November 2022.

(ii) Loan – AMAL Trustees Pty Ltd (AFC 2019-1 Trust)

In July 2019 the Group entered a further corporate bond agreement with AMAL Trustees Pty Ltd to provide additional Australian dollar, fix rate debt funding to support loan book growth as follows:

	Amount	Interest Rate per annum, payable monthly
Class A	\$21,250,000	8%
Class B	\$2,500,000	12%
	\$23,750,000	

After 3 years there is a call option as which the Group can buy back the bonds. Alternatively, if the option is not taken, there is an interest increase with AFC 2019-1 Trust Class A bonds stepping up to 12% per annum and AFC 2019-1 Trust Class B bonds to 16% per annum. The AFC 2019-1 Trust bonds mature in July 2023.

The AFC 2018-1 and AFC 2019-1 Trust bonds are secured against the funded trade receivables.

(iii) Loan – Action Funding (Aust) Pty Ltd

The loan advanced by Action Funding (Aust) Pty Ltd (an external company owned and controlled by the Co-Founders) does not accrue interest, is unsecured and is not repayable for 24 months after the date of the company's IPO.

Notes to the financial statements

Continued

Note 21. Non-current liabilities – deferred tax

	Consolidated	
	2021 \$	2020 \$
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Right-of-use assets	–	1,862
Deferred tax liability	–	1,862
Movements:		
Opening balance	1,862	–
Credited to profit or loss (note 7)	(1,862)	(11,061)
Additions through reconstruction reserve	–	12,923
Closing balance	–	1,862

Note 22. Equity – issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 \$	2020 \$
Ordinary shares – fully paid	72,383,144	12	12	12
Convertible notes issued	–	–	9,125,000	–
Transaction costs associated with convertible notes	–	–	(371,250)	–
	72,383,144	12	8,753,762	12

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.

In May 2021, a Board resolution approved a share split from 12 to 72,383,144 ordinary shares as part of restructuring the issued capital of the company in preparation for the IPO. There was no consideration paid for these new ordinary shares and no change to the total value of the issued capital.

Convertible notes

The company issued \$7.5 million convertible notes in November 2020 as part of a pre IPO capital raising. In January 2021 the Group issued a further \$5 million of convertible notes on the same terms as those issued in November 2020. The convertible notes have a maximum 12-month term, a 10% capitalised coupon rate and convert to equity at the earlier of an IPO or term maturity.

Under AASB 9 an embedded derivative is separated from the host contract, valued first as disclosed in note 16, and the residual classified as equity on the basis of a mandatory conversion at maturity.

Transaction costs associated with the convertible notes classified as equity have been offset against equity.

Note 23. Equity – Reserves

	Consolidated	
	2021 \$	2020 \$
Capital reconstruction reserve	(548,151)	(548,151)
Non-controlling equity interest in a subsidiary	2	2
Share-based payments reserve	1,007,227	–
	459,078	(548,149)

Capital reconstruction reserve

On 9 September 2020, the Group undertook an internal corporate restructure whereby the shareholders in Action Funding Group Pty Ltd exchanged their shares in that company for shares in Butn Limited in a “top hat restructure”. This resulted in Butn Limited becoming the legal parent of the Group. The restructure has been accounted for as capital reorganisation and not a business combination as disclosed in note 3. A capital reconstruction reserve is recognised to record the accumulated loss position as the date of group restructure.

Non-controlling equity interest in a subsidiary

The non-controlling equity interest reflects a minority interest held by an external party in AFC 2018-1 Trust and AFC 2019-1. These are majority owned subsidiaries of the Group (note 34) which were set up and operate as part of the debt funding structure. These subsidiaries have nil net assets and nil net profit or loss. The non-controlling equity interest has no rights to the consolidated entity.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 24. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed.

Market risk

Foreign currency risk

The consolidated entity principally undertakes its operations in Australia and does not face material foreign currency exposures.

Price risk

The consolidated entity establishes client pricing before transacting, with a relatively short period to transaction completion. As such the consolidated entity does not face material price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings, with interest rates contracted and fixed for the life of the borrowing term as set out in note 20.

Notes to the financial statements

Continued

Note 24. Financial instruments (continued)

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 consolidated entity obtains guarantees where appropriate to mitigate credit risk, as well as holding retention amounts and or insurance coverage for client balances over a pre-determined dollar threshold. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions of those assets, as disclosed in the Statement of financial position and notes to the financial statements.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables. These provisions are considered representative across all clients of the consolidated entity based on sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity, failure to make contractual payments for a period greater than 12 months and/or no further recourse options to the underlying client.

The consolidated entity's main credit risk arises from trade receivables, as set out in note 9.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank facilities. 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 amounts in the statement of financial position.

	Less 3 months	Between 3–12 months	Between +1 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2021	\$	\$	\$	\$	\$
Trade and other payables	1,319,061	–	–	–	1,319,061
Lease liabilities	–	–	–	–	–
Borrowings	7,940,659	–	38,820,897	–	46,761,556
Total non-derivatives	9,259,720	–	38,820,897	–	48,080,617
Consolidated – 2020					
Trade and other payables	724,894	–	–	–	724,894
Lease liabilities	7,234	–	–	–	7,234
Borrowings	44,776	864,531	41,833,288	–	42,742,595
Total non-derivatives	776,904	864,531	41,833,288	–	43,474,723

Capital risk management

The consolidated entity'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 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.

Note 25. Fair value measurement

Unless otherwise stated, the carrying amounts of financial assets and liabilities reflect their fair value. The carrying amounts of cash and cash equivalents, trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature. 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 instruments.

Note 26. Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors) in order to allocate resources to the segment and assess performance. The Group had one operating segment being transactional funding. Accordingly, the financial information presented in the Statement of profit or loss and other comprehensive income and Statement of financial position is the same as presented to the chief operating decision maker.

Note 27. Key management personnel (KMP) disclosures

Compensation

The aggregate compensation made to directors and other members of KMP of the consolidated entity is set out below:

	Consolidated	
	2021 \$	2020 \$
Short-term employee benefits	837,575	242,104
Post-employment benefits	68,450	19,000
Long-term benefits	40,465	7,274
Share-based payments	293,329	–
	1,239,819	268,378

Note 28. Remuneration of auditors

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

	Consolidated	
	2021 \$	2020 \$
Audit services –		
Audit and review of the financial statements	87,448	33,000
Other services –		
Independent Assurance Report	115,500	–

Notes to the financial statements

Continued

Note 29. Earnings per share

	Consolidated	
	2021 \$	2020 \$
Loss after income tax attributable to the owners of Butn Limited	(5,257,856)	(358,653)

	Consolidated	
	2021 \$	2020 \$
Weighted average number of ordinary shares used in calculating basic loss per share	7,357,638	12

	Consolidated	
	2021 \$	2020 \$
Basic loss per share (dollars)	(0.71)	(29,888)
Diluted loss per share (dollars)	(0.71)	(29,888)

On the basis of the Group's losses, the outstanding options are considered to be anti-dilutive and were therefore excluded from diluted weighted average number of ordinary shares.

Note 30. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2021.

Note 31. Commitments

The consolidated entity has no commitments as at 30 June 2021.

Note 32. Related party transactions

Parent entity

Butn Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

KMP

Disclosures relating to KMP are set out in note 27.

Note 32. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021 \$	2020 \$
Interest paid to shareholders on loans	–	120,307
Payments received for subscription to convertible notes	160,000	–
	160,000	120,307

In November 2020, the following KMP's subscribed to the company's convertible notes issue:

- S Ewart subscribed for 10,000 convertible notes for a consideration paid of \$10,000.
- M Hirst and one of his closely related party's subscribed for 100,000 convertible notes for a consideration paid of \$100,000.
- A closely related party of Darryl Lasnitzki subscribed for 50,000 convertible notes for a consideration paid of \$50,000.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

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

	Consolidated	
	2021 \$	2020 \$
Loan to other (note 10)	55,000	50,000
Loan from shareholders (note 16 and 20)	3,764,119	3,833,288
Loan from Action Funding (Aust) Pty Ltd (note 16 and 20)	820,897	810,283

All transactions with related parties were made on commercial terms and conditions.

Balances and transactions between the company and its subsidiaries have been eliminated on consolidation.

Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2021 \$	2020 \$
Loss after income tax	(915,417)	–
Total comprehensive loss	(915,417)	–

Notes to the financial statements

Continued

Note 33. Parent entity information (continued)

Statement of financial position

	Parent	
	2021 \$	2020 \$
Total current assets	12,005,012	–
Total assets	12,005,012	–
Total current liabilities	4,166,667	–
Total liabilities	4,166,667	–
Equity		
Accumulated losses	(915,417)	–
Issued capital	8,753,762	–
Total equity	7,838,345	–

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 34. 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 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Butn IP Pty Ltd	Australia	100.00%	100.00%
Australian Factoring Company Pty Ltd	Australia	100.00%	100.00%
Action Funding Pty Ltd	Australia	100.00%	100.00%
Faultless Recovery Services Pty Ltd	Australia	100.00%	100.00%
AFC 2018-1 Trust	Australia	90.91%	90.91%
AFC 2019-1 Trust	Australia	90.91%	90.91%
NZ Factoring Company Ltd	New Zealand	100.00%	100.00%

Note 35. Events after the reporting period

On 6 July 2021 the Group listed on the Australian Securities Exchange via an initial public offer (IPO), with the following transactions occurring on or shortly after that date:

- 40,000,000 fully paid ordinary shares were issued raising \$20 million (before costs) at an issue price of \$0.50.
- 47,616,856 shares were issued to convertible note holders.
- 30,000 fully paid ordinary shares were granted to employees as an exempt share award.
- The first tranche of 2,272,917 options under the EIP vested on listing.
- \$3,764,119 being loans from shareholders were repaid in full.
- 4,800,000 options were issued to the Lead Manager, Canaccord Genuity Australia Limited, exercisable under the following terms:
 - 1,600,000 exercisable at \$0.60 with a three-year expiry.
 - 1,600,000 exercisable at \$0.70 with a three-year expiry.
 - 1,600,000 exercisable at \$0.80 with a three-year expiry.

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

Note 36. Reconciliation of loss after income tax to net cash (used in) / from operating activities

	Consolidated	
	2021 \$	2020 \$
Loss after income tax benefit for the year	(5,257,856)	(358,653)
Adjustments for:		
Depreciation and amortisation	868,298	476,516
Foreign exchange differences	197	3,127
Convertible note transactions costs	123,750	–
Share-based payments expense	1,007,227	–
Fair value adjustments on embedded derivative	791,667	–
Change in operating assets and liabilities:		
Increase in trade and other receivables	(257,996)	(102,029)
Increase in deferred tax assets	(1,181,814)	(60,890)
Increase/(decrease) in deferred revenue	(103,634)	228,982
Increase in accrued expenses	515,000	531,630
Increase/(decrease) in trade and other payables	202,593	(6,531)
Increase/(decrease) in provision for income tax	581,404	(36,156)
Decrease in deferred tax liabilities	(1,862)	(11,061)
Increase in employee benefits	283,370	71,476
Net cash (used in)/from operating activities	(2,429,656)	736,411

Notes to the financial statements

Continued

Note 37. Share-based payments

In September 2020, The Group adopted the Employee Incentive Plan (EIP) to provide ongoing incentives to full time or part time employees of the company or any of its subsidiaries (including a director or company secretary of the company or its subsidiaries), or a consultant, who is determined by the Board to be eligible.

(a) Employee Share Option Plan (ESOP)

A total of 6,818,750 options were issued for nil consideration at an exercise price of \$0.50 and an expiry date of 5 years after the grant date if not exercised. The options vest in three equal tranches and are subject to the option holder remaining in employment by the company through to each vesting date. There are no performance conditions attached to the options. The first tranche vest on the date that the company lists with the remaining tranches vesting 12 months and 24 months after the listing date, respectively. Set out below are details of the options granted under the ESOP:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
08/01/2021	08/01/2026	\$0.50	–	4,218,750	–	–	4,218,750
26/02/2021	26/02/2026	\$0.50	–	2,600,000	–	–	2,600,000
			–	6,818,750	–	–	6,818,750

Weighted average exercise price \$0.50

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.58 years.

To determine the fair value of the options granted a Black Scholes option pricing model was used, with the following inputs:

Expiry period	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
5 years	\$0.50	60.00%	0.00%	0.20%	\$0.178

(b) Lead Manager Options

A total of 4,800,000 options were granted for nil consideration, with a 3-year expiry date from the company listing. Set out below are details of the options granted to the Lead Manager:

2021

	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
Tranche 1	06/07/2024	\$0.60	–	1,600,000	–	–	1,600,000
Tranche 2	06/07/2024	\$0.70	–	1,600,000	–	–	1,600,000
Tranche 3	06/07/2024	\$0.80	–	1,600,000	–	–	1,600,000
			–	4,800,000	–	–	4,800,000

Weighted average exercise price \$0.70

Note 37. Share-based payments (continued)

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.00 years.

To determine the fair value of the options granted a Black Scholes option pricing model was used, with the following inputs:

	Expiry period	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Tranche 1	3 years	\$0.60	60.00%	0.00%	0.20%	\$0.112
Tranche 2	3 years	\$0.70	60.00%	0.00%	0.20%	\$0.096
Tranche 3	3 years	\$0.80	60.00%	0.00%	0.20%	\$0.083

The options expensed in the financial year:

	Consolidated	
	2021 \$	2020 \$
ESOP	541,627	–
Lead Manager	465,600	–
Share-based payments expense	1,007,227	–

Directors' declaration

30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, including the interpretations, and the Corporations Regulations 2001;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- 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 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



Walter Rapoport
Director



Rael Ross
Director

Date: 27 August 2021

Independent auditor's report

To the members of Butn Limited



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INDEPENDENT AUDITOR'S REPORT

To the members of Butn Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Butn Limited (the Company) and its subsidiaries (the Group), 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 report, 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:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; 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 Group in accordance with 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 (including Independence Standards)* (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.

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 of the current period. 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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's report

Continued



Recognition of revenue and valuation of the associated trade receivable

Key audit matter	How the matter was addressed in our audit
<p>As a finance and payment solution business, the Group recognises revenue over time or at a point in time, as it fulfils its contractual obligations.</p> <p>The recognition and measurement of revenue is a key audit matter due to the:</p> <ul style="list-style-type: none">• Degree of accounting and financial sophistication required to appropriately account for multiple revenue streams within the underlying contracts• Complexity associated with auditing the quantum of transactions. <p><i>The accounting policy for revenue as described in Note 1, 'Revenue recognition', and details of the key accounting estimates and assumptions associated with revenue are disclosed in Note 2 of the accompanying financial report.</i></p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none">• Evaluating Management's processes and controls to recognise revenue• Assessing the revenue recognition policy for compliance with relevant Australian Accounting Standards• Agreeing, for a sample of transactions, that revenue has been recorded correctly in accordance with the underlying contract and the revenue recognition policy• For the sample selected, agreeing that the revenue had been recorded accurately based on appropriate customer source documentation• Performing analytical procedures comparing the revenue with our expectations and understanding of the Group's financial performance during the year• Assessing the adequacy of disclosures within the financial statements.



The recoverability of trade receivables including the provision for Expected Credit Losses (ECL)

Key audit matter	How the matter was addressed in our audit
<p>Trade receivables are generated via sales and have settlement terms specific to the individual customer. AASB 9 <i>Financial Instruments</i> requires a forward looking credit impairment model be applied to determine an Expected Credit Loss (ECL) in relation to trade receivables.</p> <p>Trade receivables, and the associated ECL provision, is considered as a key audit matter due to the:</p> <ul style="list-style-type: none"> • Significance of the trade receivables balance at 30 June 2021 • Degree of estimation and judgement involved to assess the forward looking events and associated probabilities • Manual composition of the ECL model and complexity associated with the range of inputs. <p><i>The accounting policy and details for the Expected Credit Losses for receivables are disclosed in Note 9 of the accompanying financial report.</i></p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Reviewing the judgements and assumptions made by Management to apply the requirements of AASB 9 <i>Financial Instruments</i> • Assessing the ECL methodology and the inputs and probabilities applied for reasonableness. This was based on past experience and our observations and expectations regarding current economic trends • Investigating any significant assumptions to corroborate Management's position adopted • Testing the mathematical and clerical accuracy of the ECL model • Sampling the inputs in the ECL calculation to relevant source documentation to test the integrity of the model • Assessing the adequacy of the allowance for ECL by comparing post year end cash receipts to the outstanding trade receivables at 30 June 2021 • Assessing the adequacy of disclosures within the financial statements.

Independent auditor's report

Continued



Classification and valuation of convertible notes

Key audit matter	How the matter was addressed in our audit
<p>During the year the Group issued \$12.5m of convertible notes.</p> <p>The accounting for convertible notes was considered a key audit matter due to the complexity involved in assessing whether to account for the notes as equity, a liability or a combination of both. There was additional complexity with the subsequent measurement of the individual components of the liability based on the terms and conditions of the agreement. The assessment included judgement and there is a high degree of estimation applied in determining the fair value of the separate components of the liability.</p> <p><i>The accounting policy and details for the convertible notes are disclosed in Note 16 of the accompanying financial report.</i></p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none">• Obtaining a schedule of convertible notes issued and agreed those to supporting documentation• Assessing the terms and conditions of the convertible note agreement to determine if the convertible notes were to be accounted for as equity, a liability or a combination of both.• Evaluating the appropriateness of the convertible note valuation prepared by Management against the requirements of the relevant Australian Accounting Standard including an assessment of the significant inputs• Engaging internal experts to assess the reasonableness of the methodology and assumptions applied in the model and evaluated the results of their work• Reviewing the adequacy of the disclosures in the financial statements and agreed these to the valuation model.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group'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 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 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 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 (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Butn Limited, for the year ended 30 June 2021, 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 section 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.

BDO Audit Pty Ltd

BDO


James Dixon
Director

Melbourne, 27 August 2021

Shareholder information

The shareholder information set out below was applicable as at 26 August 2021.

Distribution of ordinary shares

	Ordinary shares		
	Number of holders	Number held	% of total shares
1 to 1,000	39	30,292	0.02
1,001 to 5,000	436	1,242,123	0.78
5,001 to 10,000	211	1,873,622	1.17
10,001 to 100,000	284	10,805,005	6.75
100,001 and over	55	146,078,958	91.28
	1,025	160,030,000	100.00
Holding less than a marketable parcel	–	–	–

Equity security holders

Twenty largest holders of ordinary shares

	Ordinary shares	
	Number held	% of total shares
WALRAP NOMINEES PTY LTD	36,191,572	22.62
WHY K PTY LTD	36,191,572	22.62
MYOB INVEST CO PTY LTD	31,840,000	19.90
CS THIRD NOMINEES PTY LTD	11,453,031	7.16
CS THIRD NOMINEES PTY LTD	5,527,166	3.45
HELANT PTY LTD	3,000,000	1.87
CITICORP NOMINEES PTY LIMITED	2,438,830	1.52
MR DAVID ROSEMAN	1,500,000	0.94
WILSON ASSET MANAGEMENT (INTL) PTY LTD	1,473,911	0.92
DAVID ROSEMAN	1,381,792	0.86
JAMBER INVESTMENTS PTY LTD	1,082,500	0.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	898,293	0.56
NATIONAL NOMINEES LIMITED	850,000	0.53
WHEAP PTY LTD	674,000	0.42
ELKAY INVESTMENTS PTY LTD	576,358	0.36
DAVSAM PTY LTD	560,400	0.35
MERRIWEE PTY LTD	552,717	0.35
SANPEREZ PTY LTD	535,000	0.33
ASIA PAC TECHNOLOGY PTY LTD	494,000	0.31
BLUEHAWK INVESTMENTS PTY LTD	470,000	0.29
	137,691,142	86.04

Unquoted equity securities

	Number on issue	Number of holders
Options	11,618,750	10

Shareholder information

Continued

Substantial holders advised to the ASX

	Ordinary shares	
	Number held	% of total shares
WALRAP NOMINEES PTY LTD	36,191,572	22.62
WHY K PTY LTD	36,191,572	22.62
MYOB INVEST CO PTY LTD	31,840,000	19.90
REGAL FUNDS MANAGEMENT PTY LTD (RFM)	17,527,166	10.95

Voting rights

Ordinary shares

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.

Options

No voting rights.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	10 November 2021	11,818,640
Ordinary shares	6 July 2022	1,520,250
Ordinary shares	6 July 2023	81,661,110
Ordinary shares	6 July 2024	30,000
		95,030,000

Class	Expiry date	Number of options
Options	6 July 2023	8,493,750
		8,493,750

Consistency with business objectives

The Company states that it has used its cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

Corporate directory

Directors

Rael Ross – Executive Director

Walter Rapoport – Executive Director

Suzanne Ewart – Non-Executive Director and Independent Chair

Georg Chmiel – Non-Executive Director and Independent Director

Michael (Mike) Hirst – Non-Executive Director
and Independent Director

CFO and Company secretary

Darryl Lasnitzki

Registered office

Level 25
525 Collins Street
Melbourne VIC 3000
Tel #: +61 1300 99 Butn

Principal place of business

Suite 10
229 Balaclava Road
Caulfield North VIC 3161
Tel #: +61 1300 99 Butn

Share register

Link Market Services Limited

Level 13, Tower 4
727 Collins Street
Melbourne VIC 3000
Tel #: +61 1300 554 474

Auditor

BDO Audit Pty Ltd

Level 18, Tower 4
727 Collins Street
Melbourne VIC 3008

Solicitors

K&L Gates

Level 25
525 Collins Street
Melbourne VIC 3000

Stock exchange listing

Australian Securities Exchange – ASX: BTN
www.asx.com.au

Website

www.butn.co

