

Butn Limited

ABN 42 644 182 883

30 June 2022

Butn Limited
Directors' report
30 June 2022

| | |
|-----------------------------|--|
| Directors | 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 Helen Lea – Non-Executive Director Rael Ross – Executive Director Walter Rapoport – Executive Director |
| CFO and Company Secretary | Darryl Lasnitzki |
| Registered office | Level 25 525 Collins Street Melbourne VIC 3000 |
| Principal place of business | Suite 10 229 Balaclava Road Caulfield North VIC 3161 |
| Share register | Link Market Services Limited Level 13, Tower 4 727 Collins Street Melbourne VIC 3000 |
| 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 |

Butn Limited
Directors' report
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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 2022.

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 | 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 Helen Lea – Non-Executive Director (appointed 1 September 2021) Rael Ross – Executive Director Walter Rapoport – Executive Director |
| CFO and Company Secretary | Darryl Lasnitzki |

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 \$8,663,643 (30 June 2021: loss of \$5,257,856).

The financial year saw continued growth in transactional funding to small and medium enterprises, with a record \$274 million in annual originations (30 June 2021: \$207 million), up over 30% on the prior period.

Several agreements have been reached with platform partners during the year, which has seen growing adoption and support of Butn's FinTech Solution, including with MYOB Australia a strategic partner and substantial shareholder in the company. The Group is focused on deepening and leveraging its existing platform partnerships, as well as forging new partnerships in driving future growth.

On 6 July 2021, the Group listed on the Australian Securities Exchange via an initial public offer (IPO). A total of \$20 million was raised with the IPO oversubscribed and well supported by professional and sophisticated high net worth investors and institutional funds.

On 29 October 2021, the Group commenced a planned debt restructuring process. The 2018-1 bond Noteholders approved changes to redeem Class B Notes (\$1.5 million) and reduce the interest rate in respect of Class A Notes to 6.20% (previously 8%). The bond maturity was extended by an additional year to 29 October 2023, with early call dates throughout the term. On 29 December 2021, a further \$8.5 million of debt (Class A Notes) were issued under the amended 2018-1 bond.

On 29 April 2022, the Group entered into an amended corporate bond agreement whereby the 2019-1 bond Noteholders approved changes to extend the maturity by an additional two years to 1 July 2025 and reduce the interest rate to 7.25% (previously 8%) for Class A Noteholders and to 10.25% (previously 12%) for Class B Noteholders, with early call dates throughout the term. On 7 June 2022, a further \$12.5 million of debt (Class A and Class B Notes) were issued under the amended 2019-1 bond terms.

During the financial year Butn continued to build and develop its team, positioning for future growth with strong operating leverage as the business scales.

Significant changes in the state of affairs

Apart from the successful listing on the ASX on 6 July 2021, there were no significant changes in the state of affairs of the consolidated entity during the year.

Matters subsequent to the end of the financial year

Other than those disclosed in the financial statements, no other matter or circumstance has arisen since 30 June 2022 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 continued origination and revenue growth, combined with platform opportunities and expansion in the coming financial year.

Environmental regulation

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

Information on directors

| | |
|---------------------------|---|
| Name: | Suzanne Ewart |
| Title: | Non-Executive Chair |
| Experience and expertise: | Suzanne was appointed as a Non-Executive Director and Independent Chair of Butn on the 18 th September 2020. |

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.

Suzanne currently serves on the board of Dexus 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.

| | |
|---------------------------|--|
| Special responsibilities: | Chair of the Board 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 |

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Name: Rael Ross
 Title: Co-Founder, Co-Chief Executive Officer and Executive Director
 Experience and expertise: Rael co-founded the Group and was appointed Executive Director and Co-Chief Executive Officer of Butn on the 9th September 2020.

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.

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.

As a qualified accountant, Rael has worked in private practice, the not-for-profit sector and for 'Big 4' accounting firms.

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.

Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 36,263,022 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: Walter co-founded the Group and was appointed Executive Director and Co-Chief Executive Officer of Butn on the 9th September 2020.

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.

Understanding the importance for SMEs to have access to cash flow and capital, he co-founded Butn with Rael Ross.

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.

Walter graduated from Monash University with a Bachelor of Economics.

Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 36,423,572 ordinary shares
 Interests in options: 1,300,000 options

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| | |
|--------------------------------------|---|
| 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): | None |
| Interests in shares: | 813,620 ordinary shares |
| Interests in options: | 306,250 options |

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| | |
|--------------------------------------|--|
| 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 Chair of Juwai IQI Holdings, one of Asia's largest property tech and real estate companies. Georg is also Non-Executive Chair of Spacetalk (ASX:SPA), Non-Executive Director of Centrepont Alliance (ASX:CAF) and the PropTech Group, the leading real estate software company for Australia and New Zealand (ASX:PTG).</p> <p>Georg was previously Executive Chair of iCarAsia (ASX:ICQ) and Managing Director and CEO of iProperty Group (ASX:IPP), the owners of South East Asia's No. 1 networks of automotive and property portal sites. He played a key role in finalising the sale of both iCarAsia to Carsome in 2022 and iProperty Group to REA Group in 2016.</p> <p>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 CFO and GM International at REA Group (ASX:REA).</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, member of the American Institute of Certified Public Accountants, fellow of the Australian Institute of Company Directors and fellow of the Institute of Corporate Directors in Malaysia. Georg 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: | Non-Executive Director of Centrepont Alliance (since October 2016), PropTech Group (since August 2020) and Spacetalk (since July 2022) |
| Former directorships (last 3 years): | None |
| Interests in shares: | 500,000 ordinary shares |
| Interests in options: | 306,250 options |

Name: Helen Lea
 Title: Non-Executive Director
 Experience and expertise: Helen was appointed as a Non-Executive Director of Butn on the 1st September 2021.

Helen is an experienced executive having held senior roles in transformation, human resources, talent and performance. She is the Chief Employee Experience Officer at MYOB, responsible for a diverse portfolio including Digital, Workplace, People and Corporate Affairs.

Helen has experience in a number of significant Australian and multi-national corporations including Seven Group Holdings, Telstra, UGL and British American Tobacco. She has experience with Remuneration Committees, Superannuation Trusteeship and Technology Risk and was a Director of ITA Co (Independent Telecommunications Adjudicator).

Helen has a Masters Degree in Organisational Psychology from the University of the Witwatersrand, is a registered Organisational Psychologist, a Fellow of the Australian Human Resources Institute and a graduate of the AICD.

Special responsibilities: Member of the Nomination and Remuneration Committee and the Audit and Risk Committee

Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: None
 Interests in options: None

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 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.

Meetings of directors

The number of meetings of the company's Board of Directors ('Board') and committees held during the year ended 30 June 2022, and attended by each director / committee member were:

| | Board | | Nomination and Remuneration Committee* | | Audit and Risk Committee* | |
|-----------------|----------|------|--|------|---------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Suzanne Ewart | 6 | 6 | 2 | 2 | 4 | 4 |
| Georg Chmiel | 6 | 6 | 2 | 2 | 4 | 4 |
| Mike Hirst | 6 | 6 | 2 | 2 | 4 | 4 |
| Helen Lea | 5 | 5 | 1 | 1 | 3 | 3 |
| Rael Ross | 6 | 6 | - | - | - | - |
| Walter Rapoport | 6 | 6 | - | - | - | - |

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

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 guided by the Nomination and Remuneration Committee (the "Committee"). The Committee is made up of a majority 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 Committee 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's 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 Committee 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 NEDs 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 receives an annual remuneration of \$110,000 (exclusive of superannuation);
- Georg Chmiel receives an annual remuneration of \$70,000 (exclusive of superannuation);
- Mike Hirst receives an annual remuneration of \$70,000 (exclusive of superannuation); and
- Helen Lea receives no remuneration from the company and is remunerated by MYOB Australia.

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 are 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. STI objectives are a combination of shared goals on annual originations, revenue and EBITDA along with specific individual goals related to the particular executive role. The Board has discretion to adjust STI outcomes, including reducing (down to zero, if appropriate) any STI award.

Details of the long-term incentive ('LTI') plan are detailed below:

Employee Incentive Plan

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

In the previous financial year, the Group 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 on 6 July 2021;
- 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 current 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. There was no LTI grant in the current year.

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. There were no clawback instances in the current period.

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.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

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:

- Suzanne Ewart – Independent, Non-Executive Chair
- Georg Chmiel - Independent, Non-Executive Director
- Mike Hirst - Independent, Non-Executive Director
- Helen Lea - 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.

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| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---------------------------------|----------------------|---------------|---------------|--------------------------|--------------------|----------------------|------------------|
| | Cash salary and fees | Annual leave | Cash bonus | Super-annuation | Long service leave | Equity-settled | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2022 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Suzanne Ewart (Chair) | 110,000 | - | - | 11,000 | - | 28,554 | 149,554 |
| Georg Chmiel | 70,000 | - | - | 7,000 | - | 18,171 | 95,171 |
| Mike Hirst | 70,000 | - | - | 7,000 | - | 18,171 | 95,171 |
| Helen Lea* | - | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | | |
| Rael Ross | 260,000 | 23,597 | 16,880 | 26,000 | 9,944 | 77,133 | 413,554 |
| Walter Rapoport | 260,000 | 23,597 | 16,880 | 26,000 | 9,944 | 77,133 | 413,554 |
| <i>Other KMP:</i> | | | | | | | |
| Darryl Lasnitzki | 250,000 | 4,210 | 24,985 | 25,000 | 670 | 74,167 | 379,032 |
| | <u>1,020,000</u> | <u>51,404</u> | <u>58,745</u> | <u>102,000</u> | <u>20,558</u> | <u>293,329</u> | <u>1,546,036</u> |

* Helen Lea received no remuneration from the company and is remunerated by MYOB Australia

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---------------------------------|----------------------|---------------|---------------|--------------------------|--------------------|----------------------|------------------|
| | Cash salary and fees | Annual leave | Cash bonus | Super-annuation | Long service leave | Equity-settled | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2021 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| 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 |
| <i>Executive Directors:</i> | | | | | | | |
| 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 |
| <i>Other KMP:</i> | | | | | | | |
| Darryl Lasnitzki** | 212,500 | 15,311 | 24,795 | 20,188 | 193 | 74,167 | 347,154 |
| | <u>720,521</u> | <u>57,497</u> | <u>59,557</u> | <u>68,450</u> | <u>40,465</u> | <u>293,329</u> | <u>1,239,819</u> |

* Represents remuneration from 18 September 2020 to 30 June 2021

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

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

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Suzanne Ewart | 81% | 77% | - | - | 19% | 23% |
| Georg Chmiel | 81% | 77% | - | - | 19% | 23% |
| Mike Hirst | 81% | 77% | - | - | 19% | 23% |
| Helen Lea | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Rael Ross | 77% | 69% | 4% | 6% | 19% | 25% |
| Walter Rapoport | 77% | 69% | 4% | 6% | 19% | 25% |
| <i>Other KMP:</i> | | | | | | |
| Darryl Lasnitzki | 74% | 71% | 6% | 7% | 20% | 21% |

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Executive remuneration'.

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

| Name | Cash bonus paid/payable | | Cash bonus forfeited | |
|-----------------------------|-------------------------|------|----------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| <i>Executive Directors:</i> | | | | |
| Rael Ross | 32% | 100% | 68% | - |
| Walter Rapoport | 32% | 100% | 68% | - |
| <i>Other KMP:</i> | | | | |
| Darryl Lasnitzki | 50% | 100% | 50% | - |

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. |

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| 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 2022.

Options

There were no options over ordinary shares granted to directors and other KMP as part of compensation during the year ended 30 June 2022.

Additional information

The Directors disclose the following two years of financial performance on the basis that they consider this period most relevant for comparative purposes.

The earnings of the consolidated entity for the two years to 30 June 2022 are summarised below:

| | 2022 | 2021 |
|-------------------|-------------|-------------|
| Revenue | 5,419,193 | 4,549,338 |
| Loss for the year | (8,663,643) | (5,257,856) |

The factors that are considered to affect total shareholders return are summarised below:

| | 2022 | 2021 |
|--|--------|--------|
| Share price at financial year end (\$) | 0.10 | - |
| Total dividends declared (\$) | - | - |
| Basic earnings per share (\$) | (0.05) | (0.71) |
| Net tangible assets per share (\$) | 0.08 | (0.03) |

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 | Disposals | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|------------------|-----------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Suzanne Ewart | - | - | 98,425 | - | 98,425 |
| Georg Chmiel | - | - | 500,000 | - | 500,000 |
| Mike Hirst | - | - | 813,620 | - | 813,620 |
| Helen Lea | - | - | - | - | - |
| Rael Ross | 36,191,572 | - | 71,450 | - | 36,263,022 |
| Walter Rapoport | 36,191,572 | - | 232,000 | - | 36,423,572 |
| Darryl Lasnitzki | - | - | 230,000 | - | 230,000 |
| | <u>72,383,144</u> | <u>-</u> | <u>1,945,495</u> | <u>-</u> | <u>74,328,639</u> |

Butn Limited
Directors' report
30 June 2022

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 |
|-------------------------------------|--|----------|-----------|---------------------------------|--------------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| Suzanne Ewart | 481,250 | - | - | - | 481,250 |
| Georg Chmiel | 306,250 | - | - | - | 306,250 |
| Mike Hirst | 306,250 | - | - | - | 306,250 |
| Helen Lea | - | - | - | - | - |
| Rael Ross | 1,300,000 | - | - | - | 1,300,000 |
| Walter Rapoport | 1,300,000 | - | - | - | 1,300,000 |
| Darryl Lasnitzki | 1,250,000 | - | - | - | 1,250,000 |
| | <u>4,943,750</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,943,750</u> |

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 of non-audit services provided during the financial year by the auditor are outlined in Note 24 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.

The directors are of the opinion that the services disclosed in Note 24 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

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Auditor's independence declaration

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

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: 29 August 2022

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

As lead auditor of Butn Limited for the year ended 30 June 2022, 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.



James Dixon
Director

BDO Audit Pty Ltd
Melbourne
29 August 2022

Butn Limited
Contents
30 June 2022

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General information

The financial statements cover Butn Limited as a consolidated entity consisting of Butn Limited and the entities it controlled at the end of, or during, the year. 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

Butn Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|--|-------------|-------------------------------------|--------------------|
| Revenue | 4 | 5,419,193 | 4,549,338 |
| Operating expenses | | | |
| Employee benefits expense | | (4,453,065) | (1,883,546) |
| Other expenses | 6 | (4,808,827) | (3,273,915) |
| Occupancy | | (75,820) | (79,981) |
| | | (3,918,519) | (688,104) |
| Interest revenue | | 22,952 | 12,234 |
| Other income | 5 | 1,415,858 | 233,000 |
| Depreciation and amortisation expense | 6 | (1,350,322) | (868,298) |
| Share based payments expense | 33 | (472,269) | (1,007,227) |
| Transaction costs associated with IPO | | (802,153) | - |
| Finance costs | 6 | (3,585,505) | (4,133,543) |
| Loss before income tax benefit | | (8,689,958) | (6,451,938) |
| Income tax benefit | 7 | 26,315 | 1,194,082 |
| Loss after income tax benefit for the year attributable to the owners of Butn Limited | | (8,663,643) | (5,257,856) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the owners of Butn Limited | | <u>(8,663,643)</u> | <u>(5,257,856)</u> |
| Owners of Butn Limited | | <u>(8,663,643)</u> | <u>(5,257,856)</u> |
| | | <u>(8,663,643)</u> | <u>(5,257,856)</u> |
| Basic loss per share | 25 | (0.05) | (0.71) |
| Diluted loss per share | 25 | (0.05) | (0.71) |

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

Butn Limited
Statement of financial position
As at 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|------------------------------------|-------------|-------------------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 15,784,282 | 15,517,647 |
| Trade and other receivables | 9 | 55,163,321 | 29,699,108 |
| Other | 10 | 288,360 | 971,256 |
| Total current assets | | <u>71,235,963</u> | <u>46,188,011</u> |
| Non-current assets | | | |
| Intangibles | 11 | 5,129,344 | 5,655,316 |
| Deferred tax | 12 | 1,453,227 | 1,453,227 |
| Total non-current assets | | <u>6,582,571</u> | <u>7,108,543</u> |
| Total assets | | <u>77,818,534</u> | <u>53,296,554</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade, accruals and other payables | 13 | 2,162,260 | 1,955,238 |
| Borrowings | 14 | 5,552 | 7,940,659 |
| Income tax | 15 | - | 150,513 |
| Employee benefits | | 626,894 | 391,431 |
| Deferred revenue | | 552,477 | 371,489 |
| Total current liabilities | | <u>3,347,183</u> | <u>10,809,330</u> |
| Non-current liabilities | | | |
| Borrowings | 16 | 56,347,983 | 38,820,897 |
| Employee benefits | | 101,142 | 70,248 |
| Total non-current liabilities | | <u>56,449,125</u> | <u>38,891,145</u> |
| Total liabilities | | <u>59,796,308</u> | <u>49,700,475</u> |
| Net assets | | <u>18,022,226</u> | <u>3,596,079</u> |
| Equity | | | |
| Issued capital | 18 | 31,371,283 | 8,753,762 |
| Reserves | 19 | 931,347 | 459,078 |
| Accumulated losses | | (14,280,404) | (5,616,761) |
| Total equity | | <u>18,022,226</u> | <u>3,596,079</u> |

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

Butn Limited
Statement of changes in equity
For the year ended 30 June 2022

| Consolidated | Issued capital \$ | Convertible Notes \$ | Capital reconstructi on reserve \$ | Share-based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|---|------------------------------|---------------------------------|---|--|----------------------------------|----------------------------|
| 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 expenses (Note 32) | - | - | - | 1,007,227 | - | 1,007,227 |
| Contributions of equity, net of transaction costs (Note 18) | - | 8,753,750 | - | - | - | 8,753,750 |
| Balance at 30 June 2021 | <u>12</u> | <u>8,753,750</u> | <u>(548,149)</u> | <u>1,007,227</u> | <u>(5,616,761)</u> | <u>3,596,079</u> |
| Balance at 1 July 2021 | 12 | 8,753,750 | (548,149) | 1,007,227 | (5,616,761) | 3,596,079 |
| Loss after income tax benefit for the year | - | - | - | - | (8,663,643) | (8,663,643) |
| Other comprehensive income for the year, net of tax | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | - | (8,663,643) | (8,663,643) |
| Issue of shares - Convertible notes conversion (Note 18) | 8,753,750 | (8,753,750) | - | - | - | - |
| Embedded derivative conversion (Note 18) | 4,166,667 | - | - | - | - | 4,166,667 |
| Issue of shares – IPO (Note 18) | 20,000,000 | - | - | - | - | 20,000,000 |
| Transaction costs associated with the IPO (Note 18) | (1,549,146) | - | - | - | - | (1,549,146) |
| Share based payments expenses (Note 32) | - | - | - | 472,269 | - | 472,269 |
| Balance at 30 June 2022 | <u>31,371,283</u> | <u>-</u> | <u>(548,149)</u> | <u>1,479,496</u> | <u>(14,280,404)</u> | <u>18,022,226</u> |

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

Butn Limited
Statement of cash flows
For the year ended 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|--|-------------|-------------------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from clients | | 5,635,855 | 4,673,267 |
| Payments to suppliers and employees | | (7,190,215) | (4,753,049) |
| Interest received | | 21,420 | 9,301 |
| Other receipts | | - | 260,000 |
| Interest paid | | (2,992,984) | (3,200,579) |
| Taxes refunded | | 675,180 | 581,404 |
| Net cash used in operating activities | 31 | <u>(3,850,744)</u> | <u>(2,429,656)</u> |
| Cash flows from investing activities | | | |
| Proceeds from receivables | | 239,215,460 | 200,283,415 |
| Payment for receivables | | (265,456,522) | (201,165,342) |
| Payments for property, plant and equipment | | - | (11,797) |
| Payments for intangibles | | <u>(3,238,111)</u> | <u>(2,142,340)</u> |
| Net cash used in investing activities | | <u>(29,479,173)</u> | <u>(3,036,064)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 20,000,000 | - |
| Proceeds from convertible notes | | - | 12,500,000 |
| Proceeds from borrowings | | 21,000,000 | - |
| Repayment of borrowings | | (5,261,601) | (198,725) |
| Transaction costs on convertible notes | | - | (495,000) |
| Transaction costs on IPO | | (1,508,687) | (743,164) |
| Transaction costs related to borrowings | | <u>(628,839)</u> | <u>-</u> |
| Net cash from financing activities | | <u>33,600,873</u> | <u>11,063,111</u> |
| Net increase in cash and cash equivalents | | 270,956 | 5,597,391 |
| Cash and cash equivalents at the beginning of the financial year | | <u>15,507,774</u> | <u>9,910,383</u> |
| Cash and cash equivalents at the end of the financial year | 8 | <u><u>15,778,730</u></u> | <u><u>15,507,774</u></u> |

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

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 2022 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.

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 2022 of \$18,022,226 (30 June 2021: \$3,596,079)
- strong cash reserves boosted by debt and equity raises during the financial year, including completing an IPO on 6 July 2021.

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 29.

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 2022 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'.

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.

Note 1. Significant accounting policies (continued)

Restatement of comparatives

Comparative figures, where appropriate, have been reclassified to be comparable with the figures presented for the current financial year.

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 from customers

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.

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.

Note 1. Significant accounting policies (continued)

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 include 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. 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.

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 |
|---------------------|-----------|

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.

Note 1. Significant accounting policies (continued)

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

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the intangible asset include payments to external contractors, any purchase of materials and equipment, and personnel costs of employees directly involved in the project.

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.

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.

Note 1. Significant accounting policies (continued)

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.

Shared-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.

Note 1. Significant accounting policies (continued)

The costs 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 with 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.

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.

Note 1. Significant accounting policies (continued)

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 payment 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 32.

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, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

The consolidated entity has developed a model that considers both quantitative and qualitative information and analysis. The consolidated entity determines expected credit losses by multiplying together three main components, probability of default (PD), exposure at default (EAD) and loss given default (LGD). The EAD represents the total value the Group is exposed to when the trade receivable defaults. The LGD represents the unrecovered portion of the EAD considering mitigating effect of realisable value of security.

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. 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 | |
|--------------------------------------|---|--------------------|-----------|
| | | 2022 % | 2021 % |
| 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 4. Revenue

| | Consolidated | |
|------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Revenue from customers | 5,419,193 | 4,549,338 |

Note 5. Other income

| | Consolidated | |
|-----------------------------|------------------|----------------|
| | 2022 \$ | 2021 \$ |
| Modification gain - Note 16 | 1,235,957 | - |
| Government grants | - | 233,000 |
| Other income | 179,901 | - |
| | <u>1,415,858</u> | <u>233,000</u> |

Note 6. Expenses

| | Consolidated | |
|--|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Fixtures and fittings | 6,156 | 11,797 |
| Right of use assets | - | 6,770 |
| Total depreciation | <u>6,156</u> | <u>18,567</u> |
| <i>Amortisation</i> | | |
| Intellectual property | 737,637 | 284,254 |
| Customer list | 229,114 | 229,114 |
| Borrowing and formation costs | 377,415 | 336,363 |
| Total amortisation | <u>1,344,166</u> | <u>849,731</u> |
| Total depreciation and amortisation | <u>1,350,322</u> | <u>868,298</u> |
| <i>Finance costs</i> | | |
| Interest and finance charges paid / payable | 3,585,505 | 3,218,126 |
| Fair value adjustments on embedded derivative | - | 791,667 |
| Transaction costs on embedded derivative | - | 123,750 |
| Finance costs expensed | <u>3,585,505</u> | <u>4,133,543</u> |
| <i>Superannuation expense</i> | | |
| Defined contribution superannuation expense | <u>343,293</u> | <u>121,237</u> |
| <i>Other expenses</i> | | |
| Bad debts | 331,264 | 194,904 |
| Allowances for expected credit losses | 200,000 | 65,000 |
| Consulting and IT related fees | 2,408,529 | 1,304,343 |
| Professional fees | 206,359 | 212,882 |
| Insurance | 356,246 | 333,948 |
| Legal fees | 402,172 | 511,509 |
| Sundry expense | 593,562 | 418,297 |
| Bank charges | 116,070 | 112,413 |
| Subscriptions | 194,625 | 120,619 |
| | <u>4,808,827</u> | <u>3,273,915</u> |

Note 7. Income tax benefit

| | Consolidated | |
|--|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Income tax benefit</i> | | |
| Current tax | (2,451,708) | (10,407) |
| Deferred tax - origination and reversal of temporary differences | 2,425,393 | (1,183,675) |
| Aggregate income tax benefit | <u>(26,315)</u> | <u>(1,194,082)</u> |
| Deferred tax included in income tax benefit comprises: | | |
| Increase in deferred tax assets (Note 12) | (2,425,393) | (1,181,813) |
| Decrease in deferred tax liabilities (Note 17) | - | (1,862) |
| Deferred tax - origination and reversal of temporary differences | <u>(2,425,393)</u> | <u>(1,183,675)</u> |
| <i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i> | | |
| Loss before income tax benefit | (8,689,958) | (6,451,938) |
| Tax at the statutory tax rate of 25% (2021:26%) | (2,172,489) | (1,677,504) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Amortisation of intangibles | 143,062 | 139,911 |
| Other non-deductible expenses | (123,812) | 337,082 |
| Other non-assessable income | (308,586) | - |
| Difference in tax rate | (753) | (109) |
| Change in statutory tax rate | 37,175 | 6,538 |
| Amount over provided in prior years | (26,305) | - |
| Deferred tax assets derecognised/(recognised) (Note 12) | <u>2,425,393</u> | <u>-</u> |
| Income tax benefit | <u>(26,315)</u> | <u>(1,194,082)</u> |

Note 8. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|---------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Cash on hand | 1,208 | 1,211 |
| Cash at bank | 15,762,031 | 15,515,153 |
| Cash on deposit | 21,043 | 1,283 |
| | <u>15,784,282</u> | <u>15,517,647</u> |

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

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

| | | |
|--|-------------------|-------------------|
| Balances as above | 15,784,282 | 15,517,647 |
| Credit card (Note 14) | (5,552) | (9,873) |
| Balance as per statement of cash flows | <u>15,778,730</u> | <u>15,507,774</u> |

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.

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

Restricted cash, represents cash held by the entity that has a specific usage purpose as required by the funding arrangements described in Note 16. 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 2022, \$2,047,094 (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 | |
|--|---------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade receivables | 55,452,906 | 29,568,768 |
| Less: Allowance for expected credit losses | (480,000) | (280,000) |
| | <u>54,972,906</u> | <u>29,288,768</u> |
| Other receivables | 1,696 | 8,809 |
| BAS receivable | 188,719 | 401,531 |
| | <u>55,163,321</u> | <u>29,699,108</u> |

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 recognises a loss allowance based on lifetime expected credit losses (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.

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

| | Consolidated | |
|----------------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance | 280,000 | 215,000 |
| Additional provisions recognised | 200,000 | 65,000 |
| Closing balance | <u>480,000</u> | <u>280,000</u> |

Note 10. Current assets - other

| | Consolidated | |
|--------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Prepayments | 233,360 | 61,262 |
| Deferred IPO costs | - | 854,994 |
| Loan - other | 55,000 | 55,000 |
| | <u>288,360</u> | <u>971,256</u> |

Note 11. Non-current assets - intangibles

| | Consolidated | |
|---------------------------------|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Customer list - at cost | 2,733,328 | 2,485,328 |
| Less: Accumulated amortisation | <u>(1,124,148)</u> | <u>(895,033)</u> |
| | 1,609,180 | 1,590,295 |
| Intellectual property - at cost | 5,997,157 | 4,249,801 |
| Less: Accumulated amortisation | <u>(1,021,890)</u> | <u>(284,254)</u> |
| Less: R&D offset | <u>(1,668,214)</u> | <u>(491,052)</u> |
| | 3,307,053 | 3,474,495 |
| Borrowing costs | 1,278,750 | 1,278,750 |
| Less: Accumulated amortisation | <u>(1,065,639)</u> | <u>(688,224)</u> |
| | 213,111 | 590,526 |
| | <u><u>5,129,344</u></u> | <u><u>5,655,316</u></u> |

Reconciliations

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

| | Borrowing costs \$ | Intellectual property \$ | Customer list \$ | Total \$ |
|-------------------------|--------------------------|--------------------------------|-------------------------|-------------------------|
| Consolidated | | | | |
| Balance at 1 July 2021 | 590,526 | 3,474,495 | 1,590,295 | 5,655,316 |
| Additions | - | 1,747,357 | 248,000 | 1,995,357 |
| R&D offset | - | (1,177,162) | - | (1,177,162) |
| Amortisation expense | <u>(377,415)</u> | <u>(737,637)</u> | <u>(229,115)</u> | <u>(1,344,167)</u> |
| Balance at 30 June 2022 | <u><u>213,111</u></u> | <u><u>3,307,053</u></u> | <u><u>1,609,180</u></u> | <u><u>5,129,344</u></u> |

Note 12. Non-current assets - deferred tax

| | Consolidated | |
|--|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Deferred tax asset comprises temporary differences attributable to:</i> | | |
| Amounts recognised in profit or loss: | | |
| Tax losses | 3,051,629 | 991,977 |
| Employee benefits | 191,650 | 125,850 |
| Cost of raising equity | 384,076 | 102,960 |
| Provision for doubtful debts | 120,000 | 72,800 |
| Accrued expenses | 131,265 | 159,640 |
| Deferred tax asset not recognised | <u>(2,425,393)</u> | <u>-</u> |
| Deferred tax asset | <u><u>1,453,227</u></u> | <u><u>1,453,227</u></u> |
| <i>Movements:</i> | | |
| Opening balance | 1,453,227 | 271,414 |
| Credited to profit or loss (Note 7) | <u>-</u> | <u>1,181,813</u> |
| Closing balance | <u><u>1,453,227</u></u> | <u><u>1,453,227</u></u> |

Note 12. Non-current assets - deferred tax (continued)

The Group has unrecognised carried forward tax losses in the current year which are subject to meeting the carry forward tax loss rules in the year of utilisation. The Group has unconfirmed carried forward tax losses of \$8,486,700 made during the current year. The deferred tax asset in respect of these losses has not been recognised until it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Note 13. Current liabilities – trade, accruals and other payables

| | Consolidated | |
|--------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade and other payables | 798,077 | 842,608 |
| Accrued expenses | 619,380 | 614,000 |
| Accrued interest | 744,803 | 498,630 |
| | <u>2,162,260</u> | <u>1,955,238</u> |

Note 14. Current liabilities - borrowings

| | Consolidated | |
|---------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Credit card | 5,552 | 9,873 |
| Loan - Shareholders | - | 3,764,119 |
| Embedded derivative | - | 4,166,667 |
| | <u>5,552</u> | <u>7,940,659</u> |

Note 15. Current liabilities - income tax

| | Consolidated | |
|--------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Provision for income tax | - | 150,513 |
| | <u>-</u> | <u>150,513</u> |

Note 16. Non-current liabilities - borrowings

| | Consolidated | |
|---|---------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loan - AMAL Trustees Pty Ltd (AFC 2018-1 Trust) | 20,673,099 | 14,250,000 |
| Loan - AMAL Trustees Pty Ltd (AFC 2019-1 Trust) | 34,854,067 | 23,750,000 |
| Loan - Action Funding (Aust) Pty Ltd | 820,817 | 820,897 |
| | <u>56,347,983</u> | <u>38,820,897</u> |

Note 16. Non-current liabilities - borrowings (continued)

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

On 17 September 2021, the Group entered into an amended corporate bond agreement with AMAL Trustees Pty Ltd, which extended the maturity by an additional year to 29 October 2023, with early call dates on the 29 October 2022 and 29 April 2023. Under the amended agreement, Class B Noteholders (\$1.5 million) were redeemed on the effective date of 29 October 2021, with additional nil interest Class C equity notes issued to 15% of the bond amount. As of 29 October 2021, the interest rate for Class A Noteholders was reduced from 8.0% to 6.2%.

The amended agreement was treated as a non-substantial debt modification, with the resulting gain of \$491,841 recognised immediately in the Statement of profit or loss and other comprehensive income described in Note 5.

Transaction costs were deducted off the financial liability's carrying value and will be unwound through the Statement of profit or loss and other comprehensive income over the bond's remaining term.

On 29 December 2021, a further \$8.5 million Class A Notes were issued under the same terms as the amended corporate bond agreement.

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

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

On 29 April 2022, the Group entered into an amended corporate bond agreement with AMAL Trustees Pty Ltd, which extended the maturity by an additional two years to 1 July 2025, with early call dates. Additional nil interest Class C equity notes were issued to 5% of the bond amount. As of 1 July 2022, the interest rate for Class A Noteholders was reduced from 8.0% to 7.25% and for Class B Noteholders was reduced from 12.0% to 10.25%.

The amended agreement was treated as a non-substantial debt modification, with the resulting gain of \$744,116 recognised immediately in the Statement of profit or loss and other comprehensive income described in Note 5.

Transaction costs were deducted off the financial liability's carrying value and will be unwound through the Statement of profit or loss and other comprehensive income over the bond's remaining term.

On 7 June 2022, a further \$10.6 million Class A Notes and \$1.9 million Class B Notes were issued under the same terms as the amended corporate bond agreement.

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

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, 6 July 2021.

Note 17. Non-current liabilities - deferred tax

| | Consolidated 2022 \$ | 2021 \$ |
|--|----------------------------|------------|
| <i>Deferred tax liability comprises temporary differences attributable to:</i> | | |
| Amounts recognised in profit or loss: | | |
| Right of use assets | - | - |
| Deferred tax liability | - | - |
| <i>Movements:</i> | | |
| Opening balance | - | 1,862 |
| Credited to profit or loss (Note 7) | - | (1,862) |
| Additions through reconstruction reserve | - | - |
| Closing balance | - | - |

Note 18. Equity - issued capital

| | 2022 Shares | Consolidated 2021 Shares | 2022 \$ | 2021 \$ |
|---|--------------------|--------------------------------|-------------------|------------------|
| Ordinary shares - fully paid | 72,383,144 | 72,383,144 | 12 | 12 |
| Convertible notes issued | - | - | - | 9,125,000 |
| Transaction costs associated with convertible notes | - | - | - | (371,250) |
| Issue of shares - IPO | 40,000,000 | - | 20,000,000 | - |
| Issue of shares - Convertible notes conversion | 47,616,856 | - | 12,920,417 | - |
| Issue of shares - Employees | 30,000 | - | - | - |
| Transaction costs associated with IPO | - | - | (1,549,146) | - |
| | <u>160,030,000</u> | <u>72,383,144</u> | <u>31,371,283</u> | <u>8,753,762</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

On 6 July 2021 the Group listed on the Australian Securities Exchange via an initial public offer (IPO), resulting in the fully paid ordinary shares on issue rising to 160,030,000, 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 notes holders.
- 30,000 fully paid ordinary shares were granted to employees as an exempt share award.

Note 19. Equity - Reserves

| | Consolidated | |
|---|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Capital reconstruction reserve | (548,151) | (548,151) |
| Non-controlling equity interest in a subsidiary | 2 | 2 |
| Share-based payments reserve | 1,479,496 | 1,007,227 |
| | <u>931,347</u> | <u>459,078</u> |

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. A capital reconstruction reserve is recognised to record the accumulated loss position as at 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 3) 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 20. 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 16.

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.

Note 20. Financial instruments (continued)

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 - 2022 | | | | | |
| Trade and other payables | 2,162,260 | - | - | - | 2,162,260 |
| Borrowings | - | - | 56,347,983 | - | 56,347,983 |
| Total financial liabilities | 2,162,260 | - | 56,347,983 | - | 58,510,243 |
| | | | | | |
| | Less 3 months \$ | Between 3 - 12 months \$ | Between +1 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
| Consolidated - 2021 | | | | | |
| Trade and other payables | 1,955,238 | - | - | - | 1,955,238 |
| Borrowings | 7,940,659 | - | 38,820,897 | - | 46,761,556 |
| Total financial liabilities | 9,895,897 | - | 38,820,897 | - | 48,716,794 |

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 21. 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 22. 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 23. 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 | |
|------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Short-term employee benefits | 1,130,149 | 837,575 |
| Post-employment benefits | 102,000 | 68,450 |
| Long-term benefits | 20,558 | 40,465 |
| Share-based payments | 293,329 | 293,329 |
| | <u>1,546,036</u> | <u>1,239,819</u> |

Note 24. Remuneration of auditors

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

| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Audit services -</i> | | |
| Audit and review of the financial statements | 95,093 | 87,448 |
| <i>Other services -</i> | | |
| Independent Assurance Report | - | 115,500 |

Note 25. Earnings per share

| | Consolidated | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Butn Limited | <u>(8,663,643)</u> | <u>(5,257,856)</u> |
| | Consolidated | Consolidated |
| | 2022 | 2021 |
| Weighted average number of ordinary shares used in calculating basic loss per share | <u>158,829,358</u> | <u>7,357,638</u> |
| | Consolidated | Consolidated |
| | 2022 | 2021 |
| | \$ | \$ |
| Basic loss per share (dollars) | (0.05) | (0.71) |
| Diluted loss per share (dollars) | (0.05) | (0.71) |

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 26. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2022.

Note 27. Commitments

The consolidated entity has no commitments as at 30 June 2022.

Note 28. Related party transactions

Parent entity

Butn Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 3.

KMP

Disclosures relating to KMP are set out in Note 23.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|---|---------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Payment for goods and services: | | |
| Payments received for subscription to convertible notes | - | 160,000 |
| | <u> </u> | <u> </u> |
| | | 160,000 |

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 | |
|---|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loan to other (Note 10) | 55,000 | 55,000 |
| Loan from shareholders (Note 14) | - | 3,764,119 |
| Loan from Action Funding (Aust) Pty Ltd (Note 16) | 820,817 | 820,897 |

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 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

| | Parent | |
|-----------------------------------|---------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Profit/(Loss) after income tax | (12,433,640) | (915,417) |
| Total comprehensive income/(loss) | (12,433,640) | (915,417) |

Statement of financial position

| | Parent | |
|---------------------------|---------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Total current assets | 18,022,226 | 12,005,012 |
| Total non-current assets | - | - |
| Total assets | 18,022,226 | 12,005,012 |
| Total current liabilities | - | 4,166,667 |
| Total liabilities | - | 4,166,667 |
| Equity | | |
| Accumulated losses | (13,349,057) | (915,417) |
| Issued capital | 31,371,283 | 8,753,762 |
| Total equity | 18,022,226 | 7,838,345 |

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022.

Significant accounting policies

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

Note 30. Events after the reporting period

On 9 August 2022, a further \$5m Class A Notes were issued under the same terms as the amended AFC 2019-1 Trust corporate bond agreement.

No other matter or circumstance has arisen since 30 June 2022 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.

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax benefit for the year | (8,663,643) | (5,257,856) |
| Adjustments for: | | |
| Depreciation and amortisation | 1,350,322 | 868,298 |
| Foreign exchange differences | 5,081 | 197 |
| Convertible note transactions costs | - | 123,750 |
| Share based payments expense | 472,269 | 1,007,227 |
| Fair value adjustments on embedded derivative | - | 791,667 |
| Modification gain | 1,235,957 | - |
| Expected credit losses | 200,000 | - |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in other receivables | 682,089 | (257,996) |
| Increase in deferred tax assets | - | (1,181,814) |
| Increase/(decrease) in deferred revenue | 180,988 | (103,634) |
| Increase in accrued expenses | 93,536 | 515,000 |
| Increase in trade and other payables | 326,300 | 202,593 |
| Increase in provision for income tax | - | 581,404 |
| Decrease in deferred tax liabilities | - | (1,862) |
| Increase in employee benefits | 266,357 | 283,370 |
| Net cash used in operating activities | <u>(3,850,744)</u> | <u>(2,429,656)</u> |

Note 32. 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)

In the prior year, 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 vested on 6 July 2021, the date the company listed, 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:

| 2022 | | | | | | | |
|---------------------------------|-------------|----------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| 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 | \$0.00 | 4,218,750 | - | - | - | 4,218,750 |
| 26/02/2021 | 26/02/2026 | \$0.00 | 2,600,000 | - | - | - | 2,600,000 |
| | | | <u>6,818,750</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,818,750</u> |
| Weighted average exercise price | | | \$0.50 | | | | |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.58 years (2021: 4.58 years).

Note 32. Share-based payments (continued)

To determine the fair value of the options granted during the current financial year a Black Scholes option pricing model was used, including amongst others 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

In the prior year, a total of 4,800,000 options were granted for nil consideration, with a 3-year expiry date from 6 July 2021, the date the company listed. Set out below are details of the options granted to the Lead Manager:

| 2022 | | | | | | | |
|-----------|-------------|----------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| | 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 |
| | | | <u>4,800,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,800,000</u> |

Weighted average exercise price \$0.70

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.02 years (2021: 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 | |
|------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| ESOP | 472,269 | 541,627 |
| Lead Manager | - | 465,600 |
| Share based payments expense | <u>472,269</u> | <u>1,007,227</u> |

Butn Limited
Directors' declaration
30 June 2022

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 2022 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: 29 August 2022

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 2022, 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 2022 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.

Recognition of and valuation of revenue

| Key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>As a finance and payment solutions business, the Group recognises revenue over time, or at a point in time, as it fulfils its contractual obligations.</p> <p>The recognition of revenue is a key audit matter due to the:</p> <ul style="list-style-type: none"> • Significance of the revenue as a key driver by which the performance of the Group is measured • Complexity associated with the 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

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>Trade receivables have settlement terms specific to the individual customer. <i>AASB 9 Financial Instruments</i> requires a forward-looking credit impairment model to be applied to determine an Expected Credit Loss (ECL) in relation to trade receivables.</p> <p>Trade receivables are 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 2022 • Degree of estimation and judgement involved to assess the ECL <p><i>The accounting policy and details for the Expected Credit Losses for receivables are disclosed in Note 9 and assumptions associated with the allowance for</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 <i>AASB 9 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 |

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|---|
| <p><i>credit losses are disclosed in Note 2 of the accompanying financial report.</i></p> | <ul style="list-style-type: none"> • 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 2022 • Assessing the adequacy of disclosures within the financial statements. |

Capitalisation of development costs & intellectual property as an intangible asset

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|--|---|
| <p>During the year the Group has capitalised costs in relation to the development of intellectual property, including payments to third party external contractors and internal salary costs in accordance with AASB 138 <i>Intangible Assets</i>.</p> <p>Capitalised intellectual property is considered a key audit matter due to the judgement required to establish the point at which capitalisation should commence, the nature of costs to be capitalised and the point at which capitalisation should cease and amortisation should commence and the useful life of the intellectual property.</p> <p><i>The accounting policy is disclosed in Note 1, and details of Intangibles is disclosed in Note 11.</i></p> | <p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Performing a walkthrough of Management's process for identifying the development of intellectual property and the nature of costs incurred. • Assessing, for a sample of costs capitalised, if Management have a clear intention to complete the project. • Evaluating the probability of the future economic benefit expected to be generated and assessing the estimated useful life of the intellectual property. • Agreeing a sample of expenditure capitalised to third party documentation to corroborate whether the costs relate to a technologically feasible project • Agreeing a sample of internal labour capitalised to authorised Management sign-off and payroll records to agree only direct costs have been capitalised to a technologically feasible project • Assessing the adequacy of disclosures within the financial statements. |

Other information

The Directors are responsible for the other information. The other information comprises the information contained in Directors' report for the year ended 30 June 2022 but does not include the

financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Directors' report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 8 to 14 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Butn Limited, for the year ended 30 June 2022, 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
A handwritten signature in black ink, appearing to read 'James Dixon', is written over the BDO logo.

James Dixon
Director

Melbourne, 29 August 2022