

Butn Limited

ABN 42 644 182 883

30 June 2023

Butn Limited
Directors' report
30 June 2023

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 (resigned 3 August 2023) Rael Ross – Executive Director Walter Rapoport – Executive Director
Company Secretary	Dean Berelowitz
Registered office	Level 25 525 Collins Street Melbourne VIC 3000
Principal place of business	229 Balaclava Road Caulfield North VIC 3161
Share register	Link Market Services Limited Level 13, Tower 4 727 Collins Street Melbourne VIC 3000
Auditor	Hall Chadwick Melbourne Chartered Accountants Level 14 440 Collins Street Melbourne VIC 3000
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

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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 2023.

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 (resigned 3 August 2023) Rael Ross – Executive Director Walter Rapoport – Executive Director
Company Secretary	Darryl Lasnitzki (resigned 31 July 2023) Dean Berelowitz (appointed 14 July 2023)

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 financial year saw record growth in transactional funding to small and medium enterprises (SMEs) with significant improvements in all key financial metrics compared with the previous corresponding period (pcp) (FY22):

Key financial metrics	FY23	FY22	Change to FY22
Originations (\$ millions)	441	274	Up 61%
Revenue (\$ millions)	11.9	5.4	Up 120%
Revenue margin %	2.7%	2.0%	Up 37%
EBITDA (\$ millions)	1.2	(3.8)	Improved
Cash used in operating activities (\$ millions)	(0.7)	(3.9)	Improved
Loss before tax (\$ millions)	(6.4)	(8.7)	Improved
Loss after tax (\$ millions)	(6.5)	(8.7)	Improved

Butn has seen sustained growth in originations totalling \$441 million up 61% on pcp, including a record month for originations in May of \$45 million, as well as an all-time quarter result reported for both originations and revenues in June 2023.

The sustained growth through FY23 reflects Butn's strong relationship with its platform partners, growth of distribution channels and the increasing awareness of its product offering. Margins have increased significantly, through growing contribution of higher margin platform originations, changes in industry mix towards higher margin segments and pass through pricing adjustments, together driving FY23 revenue to \$11.9 million, more than double FY22.

Butn's platform distribution channel has continued to increase its key contribution as the business scales, now comprising more than 25% of total monthly originations, supported by Butn's strong relationship with its platform partners and the increasing awareness of its product offering in the SME community. Pleasingly this was recognised with the MYOB | Butn partnership announced as Fintech Australia's "2023 Excellence in Industry Collaboration & Partnerships" winner.

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The increased revenue was delivered with a stable operating basis, leading to a substantial EBITDA improvement in FY23, benefitting from the strong operating leverage in the business model whilst recording a notable improvement in net operating cash flow for the period.

During the financial year, Butn continued to increase its receivable book to over \$79 million, supported by a number of debt and equity raisings in the period totalling over \$26 million.

Butn continues to deliver record growth and improved financial performance, demonstrating the ongoing need for its fast, secure and reliable funding.

Significant changes in the state of affairs

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 2023 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 Dexu Wholesale Funds Ltd and also chairs a Bendigo Community Bank. Suzanne has served on a number of other boards including as chair of .au Domain Administration Ltd, Box Hill Institute Group, Peter MacCallum Cancer Centre and Cell Therapies and as a director of Treasury Corporation Victoria and TT Line Pty Ltd.

Suzanne has a Bachelor of Economics from Australian National University, is a CPA and a Fellow of the Australian Institute of Company Directors.

Special responsibilities:	Chair of the Board and member of the Nomination and Remuneration and the Audit and Risk Committees
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Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair
Interests in shares: 98,425 ordinary shares
Interests in options: 481,250 options

Name: Rael Ross
Title: Co-Founder, Co-Chief Executive Officer and Executive Director
Experience and expertise: 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: 38,114,464 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: 38,275,014 ordinary shares
Interests in options: 1,300,000 options

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Name:	Mike Hirst
Title:	Non-Executive Director
Experience and expertise:	Mike was appointed as a Non-Executive Director of Butn on the 18th September 2020. 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. 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. 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. During the Global Financial Crisis, Mike was appointed to the Federal Government's Financial Sector Advisory Council and remained a member until his retirement.
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:	842,120 ordinary shares
Interests in options:	306,250 options

Name:	Georg Chmiel
Title:	Non-Executive Director
Experience and expertise:	Georg was appointed as a Non-Executive Director of Butn on the 18th September 2020. Georg Chmiel has 3 decades of experience in rapidly growing, disruptive online businesses and has been leading more than 35 acquisitions and been taken over 7 times. Georg is the Co-Founder & Chair of Juwai-IQI Holdings, the largest proptech group in South East Asia with more than 30,000 sales agents. He is also Chair of Spacetalk and Director of Centrepont Alliance. Georg was previously Executive Chair of iCarAsia, the number 1 online automotive marketplace for SE Asia until its acquisition by CARSOME. He was also Managing Director & CEO of the iProperty Group (ASX:IPP) until its sale to REA Group. He was non-executive Director of Mitula Group and Proptech Group until the respective sales. Georg was also Managing Director & CEO of LJ Hooker Group with 700 real estate offices across ten countries and also held the position of Group CFO & Acting CEO at REA Group (ASX:REA). Georg also worked for KPMG, Deutsche Bank and McKinsey&Company. Georg is the recipient of the 2023 Master Entrepreneur Award (APEA), the 2022 Excellence Award for Digital Transformation of the Malaysia Australia Business Council, the 2022 ASEAN Distinguished Business Leader Lifetime Achievement Award, the 2022 ASEAN Business Excellence Award, the 2021 Impact Lifetime Achievement Award for Property Excellence, the 2020 C-Suite Leadership Excellence Award and others. Georg is CPA (USA), Member of the American Institute of Certified Public Accountants, Fellow of the Australian Institute of Company Directors (AICD) and the Institute of Corporate Directors Malaysia (ICDM), Board Member of the World Digital Chamber, Executive Council Member of the Economic Club Kuala Lumpur (ECKL) and others. Georg holds a Master of Business Administration (MBA) of INSEAD and a Computer Science degree of Technische Universität München (TUM).
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) and Spacetalk (since July 2022)
Former directorships (last 3 years):	Non-Executive Director of PropTech Group (from August 2020 to February 2023)
Interests in shares:	500,000 ordinary shares
Interests in options:	306,250 options

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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 and resigned on the 3rd of August 2023.

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 is a Board Member of the New Zealand Digital Boost Alliance, member of the Victorian Advisory Council for Australian Industries Group, and a member of the Advisory Board to Flare HR.

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, was appointed Company Secretary on 9th September 2020 and resigned both positions effective on 31st July 2023.

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 2023, 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	7	7	3	3	4	4
Georg Chmiel	7	7	3	3	4	4
Mike Hirst	7	7	3	3	4	4
Helen Lea	7	7	3	3	4	4
Rael Ross	7	7	-	-	-	-
Walter Rapoport	7	7	-	-	-	-

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 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') plans are detailed below:

Employee Incentive Plan

The Employee Incentive Plan (EIP) was adopted in September 2020. In the 2021 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:

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- 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.

A new Employee Incentive Plan (New EIP) was adopted in November 2022. In the 2023 financial year, the Group issued 6,073,000 Options for no cost with a 4-year expiry. The options have various exercise prices per option and vest as follows:

Tranches	Exercise price	Vesting
1,667,000 options	\$0.225	On grant date
1,740,000 options	\$0.225	12 months after grant
1,334,000 options	\$0.255	12 months after grant
1,332,000 options	\$0.270	24 months after grant

While there is no performance element attached to the options, their exercise prices were set at a significant premium of between 50% – 90% of the share price at time of grant. The LTI vesting is based on time and together with the exercise premium, is deemed to be an appropriate measure of reward.

Use of consultants

During the financial year ended 30 June 2023, the consolidated entity, through the Nomination and Remuneration Committee, engaged HRascent, remuneration consultants, to review and provide recommendations on the LTI program. This resulted in share-based payments remuneration in the form of options (LTI) being implemented. HRascent was paid \$16,500 plus gst for these services.

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 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. 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
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Suzanne Ewart (Chair)	110,000	-	-	11,550	-	28,554	150,104
Georg Chmiel	77,350	-	-	-	-	18,171	95,521
Mike Hirst	71,837	-	-	5,513	-	18,171	95,521
Helen Lea*	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Rael Ross	269,750	31,781	54,600	28,324	4,135	77,133	465,723
Walter Rapoport	269,750	31,781	54,600	28,324	4,135	77,133	465,723
<i>Other KMP:</i>							
Darryl Lasnitzki	259,375	24,620	52,500	27,234	1,267	112,374	477,370
	<u>1,058,062</u>	<u>88,182</u>	<u>161,700</u>	<u>100,945</u>	<u>9,537</u>	<u>331,536</u>	<u>1,749,962</u>

	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

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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	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Suzanne Ewart	81%	81%	-	-	19%	19%
Georg Chmiel	81%	81%	-	-	19%	19%
Mike Hirst	81%	81%	-	-	19%	19%
Helen Lea	-	-	-	-	-	-
<i>Executive Directors:</i>						
Rael Ross	72%	77%	12%	4%	16%	19%
Walter Rapoport	72%	77%	12%	4%	16%	19%
<i>Other KMP:</i>						
Darryl Lasnitzki	65%	74%	11%	6%	24%	20%

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	
	2023	2022	2023	2022
<i>Executive Directors:</i>				
Rael Ross	100%	32%	0%	68%
Walter Rapoport	100%	32%	0%	68%
<i>Other KMP:</i>				
Darryl Lasnitzki	100%	50%	0%	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 \$273,000 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 \$273,000 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 \$262,500 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 2023.

Options

In November 2022, the Group adopted the new Employee Incentive Plan (New EIP) to provide long term incentives for senior managers and staff to deliver shareholder value and to act as a key retention tool. The options convert on a 1:1 basis with ordinary shares, were issued at nil consideration and have a four-year term.

All options were granted over unissued fully paid ordinary shares in the Company. Options vest based on the provision of service over the vesting period whereby the recipient becomes beneficially entitled to the option. Options can be exercised by the holder from the vesting date. There has not been any alteration to the terms of conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Darryl Lasnitzki	1,000,000	27/01/2023	Various*	27/01/2027	Various**	Various**

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

** Determined at the time of grant disclosed in Note 30.

Values of options over ordinary shares granted, exercised and lapsed for directors and other KMP as part of compensation during the year ended 30 June 2023 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Suzanne Ewart	-	-	-	-
Georg Chmiel	-	-	-	-
Michael Hirst	-	-	-	-
Rael Ross	-	-	-	-
Walter Rapoport	-	-	-	-
Darryl Lasnitzki	76,998	-	-	24%

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 2023 are summarised below:

	2023	2022
Revenue	11,854,446	5,419,193
Loss for the year	(6,531,384)	(8,663,643)

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

	2023	2022
Share price at financial year end (\$)	0.20	0.10
Total dividends declared (\$)	-	-
Basic earnings per share (\$)	(0.04)	(0.05)
Net tangible assets per share (\$)	0.06	0.08

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	-	28,500	-	842,120
Helen Lea	-	-	-	-	-
Rael Ross	36,263,022	-	1,851,442	-	38,114,464
Walter Rapoport	36,423,572	-	1,851,442	-	38,275,014
Darryl Lasnitzki	230,000	-	20,000	-	250,000
	<u>74,328,639</u>	<u>-</u>	<u>3,751,384</u>	<u>-</u>	<u>78,080,023</u>

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	1,000,000	-	-	2,250,000
	<u>4,943,750</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>5,943,750</u>

Other transactions with key management personnel and their related parties

Prior to the Company's listing on the ASX a loan of \$820,817 was advanced by Action Funding (Aust) Pty Ltd, an entity owned and controlled by Mr Rael Ross and Mr Walter Rapoport, to Australian Factoring Company Pty Ltd, a wholly owned subsidiary of the Company. The loan does not accrue interest, is unsecured and is repayable on 6 July 2023. During the year the Company entered into a conditional share subscription agreement to convert the loan into equity by issuing 3,702,884 fully paid ordinary shares in the Company. This was approved by shareholders on 21 June 2023.

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 22 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 22 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	27/01/2027	\$0.225	1,740,000
ESOP	27/01/2027	\$0.225	1,667,000
ESOP	27/01/2027	\$0.255	1,334,000
ESOP	27/01/2027	\$0.270	1,332,000
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 2023 and up to the date of this report.

Auditor's independence declaration

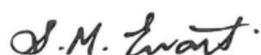
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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



Suzanne Ewart
Director



Georg Chmiel
Director

Date: 21 August 2023

BUTN LIMITED
ABN 42 644 182 883

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS BUTN LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Butn Limited and controlled entities. As the lead audit partner for the audit of the financial report of Butn Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



Anh (Steven) Nguyen
Director
Date: 21 August 2023

Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

Butn Limited
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30 June 2023

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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

229 Balaclava Road
Caulfield North
VIC 3161

Butn Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 \$	Consolidated 2022 \$
Revenue	4	11,854,446	5,419,193
Operating expenses			
Employee benefits expense		(5,266,975)	(4,453,065)
Other expenses	6	(4,782,926)	(4,808,827)
Occupancy		(194,635)	(75,820)
		1,609,910	(3,918,519)
Interest revenue		246,565	22,952
Other income	5	16,654	1,415,858
Depreciation and amortisation expense	6	(1,438,578)	(1,350,322)
Share based payments expense	30	(394,531)	(472,269)
Transaction costs associated with IPO		-	(802,153)
Finance costs	6	(6,446,173)	(3,585,505)
Loss before income tax benefit		(6,406,153)	(8,689,958)
Income tax (expense)/benefit	7	(125,231)	26,315
Loss after income tax benefit for the year attributable to the owners of Butn Limited		(6,531,384)	(8,663,643)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Butn Limited		<u>(6,531,384)</u>	<u>(8,663,643)</u>
Basic loss per share	23	(0.04)	(0.05)
Diluted loss per share	23	(0.04)	(0.05)

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 2023

	Note	Consolidated 2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	8	14,671,115	15,784,282
Trade and other receivables	9	79,090,853	55,163,321
Other	10	104,685	288,360
Total current assets		<u>93,866,653</u>	<u>71,235,963</u>
Non-current assets			
Intangibles	11	3,748,255	5,129,344
Deferred tax	12	1,361,230	1,453,227
Total non-current assets		<u>5,109,485</u>	<u>6,582,571</u>
Total assets		<u>98,976,138</u>	<u>77,818,534</u>
Liabilities			
Current liabilities			
Trade, accruals and other payables	13	2,235,613	2,162,260
Borrowings	14	21,140,499	5,552
Income tax		35,211	-
Employee benefits		780,710	626,894
Deferred revenue		741,641	552,477
Total current liabilities		<u>24,933,674</u>	<u>3,347,183</u>
Non-current liabilities			
Borrowings	15	58,378,835	56,347,983
Employee benefits		26,061	101,142
Total non-current liabilities		<u>58,404,896</u>	<u>56,449,125</u>
Total liabilities		<u>83,338,570</u>	<u>59,796,308</u>
Net assets		<u>15,637,568</u>	<u>18,022,226</u>
Equity			
Issued capital	16	35,123,478	31,371,283
Reserves	17	1,325,878	931,347
Accumulated losses		(20,811,788)	(14,280,404)
Total equity		<u>15,637,568</u>	<u>18,022,226</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 2023

Consolidated	Issued capital \$	Convertible Notes \$	Capital reconstructi on reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	31,371,283	-	(548,149)	1,479,496	(14,280,404)	18,022,226
Loss after income tax benefit for the year	-	-	-	-	(6,531,384)	(6,531,384)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(6,531,384)	(6,531,384)
Issue of shares – Institutional placement (Note 16)	3,000,000	-	-	-	-	3,000,000
Issue of shares – Loan conversion (Note 16)	820,817	-	-	-	-	820,817
Transaction costs on issue of shares (Note 16)	(68,622)	-	-	-	-	(68,622)
Share based payments expenses (Note 30)	-	-	-	394,531	-	394,531
Balance at 30 June 2023	<u>35,123,478</u>	<u>-</u>	<u>(548,149)</u>	<u>1,874,027</u>	<u>(20,811,788)</u>	<u>15,637,568</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 16)	8,753,750	(8,753,750)	-	-	-	-
Embedded derivative conversion (Note 16)	4,166,667	-	-	-	-	4,166,667
Issue of shares – IPO (Note 16)	20,000,000	-	-	-	-	20,000,000
Transaction costs associated with the IPO (Note 16)	(1,549,146)	-	-	-	-	(1,549,146)
Share based payments expenses (Note 30)	-	-	-	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 2023

	Note	Consolidated 2023 \$	2022 \$
Cash flows from operating activities			
Receipts from clients		12,164,803	5,635,855
Payments to suppliers and employees		(9,216,492)	(7,190,215)
Interest received		246,295	21,420
Interest paid		(4,927,699)	(2,992,984)
Taxes refunded		<u>1,059,349</u>	<u>675,180</u>
Net cash used in operating activities	29	<u>(673,744)</u>	<u>(3,850,744)</u>
Cash flows from investing activities			
Proceeds from receivables		383,424,914	239,215,460
Payment for receivables		(408,353,013)	(265,456,522)
Payments for intangibles		<u>(1,158,579)</u>	<u>(3,238,111)</u>
Net cash used in investing activities		<u>(26,086,678)</u>	<u>(29,479,173)</u>
Cash flows from financing activities			
Proceeds from issue of shares		3,000,000	20,000,000
Proceeds from borrowings		23,666,479	21,000,000
Repayment of borrowings		-	(5,261,601)
Transaction costs on issue of shares		(59,913)	-
Transaction costs on IPO		-	(1,508,687)
Transaction costs related to borrowings		<u>(992,726)</u>	<u>(628,839)</u>
Net cash from financing activities		<u>25,613,840</u>	<u>33,600,873</u>
Net increase/(decrease) in cash and cash equivalents		(1,146,582)	270,956
Cash and cash equivalents at the beginning of the financial year		<u>15,778,730</u>	<u>15,507,774</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>14,632,148</u></u>	<u><u>15,778,730</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 2023 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').

Except for cash flow information, 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 2023 of \$15,637,568 (30 June 2022: \$18,022,226)
- strong cash reserves, a majority of long dated debt, supported by a history of successful debt renewals, positive restructurings and equity raisings.

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 27.

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 2023 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

The customer contracts relate to business to business transactional funding, whose focus is providing financing to small and medium enterprises. Income arising from customer contracts consist of two main categories:

- Finance Fee - The main component of income arising under these contracts
- Other fees and charges - Additional costs and charges including establishment, administration charges for services, additional fees for overdue amounts and related administration costs.

Income is recognised over the expected term of the contract. 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 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:

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 30.

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 ageing brackets, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates 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	
		2023 %	2022 %
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%
AFC 2022-1 Trust	Australia	90.91%	-
NZ Factoring Company Ltd	New Zealand	100.00%	100.00%

Note 4. Revenue

	Consolidated	
	2023 \$	2022 \$
Revenue from customers	11,854,446	5,419,193

Note 5. Other income

	Consolidated	
	2023 \$	2022 \$
Modification gain	-	1,235,957
Other income	16,654	179,901
	16,654	1,415,858

Note 6. Expenses

	Consolidated	
	2023	2022
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Fixtures and fittings	-	6,156
Right of use assets	-	-
Total depreciation	-	6,156
<i>Amortisation</i>		
Intellectual property	927,468	737,637
Customer list	297,999	229,114
Borrowing and formation costs	213,111	377,415
Total amortisation	1,438,578	1,344,166
Total depreciation and amortisation	1,438,578	1,350,322
<i>Finance costs</i>		
Interest and finance expenses paid/payable	5,369,964	3,245,017
Unwinding of transaction costs and modification gains	1,076,209	340,488
Finance costs expensed	6,446,173	3,585,505
<i>Superannuation expense</i>		
Defined contribution superannuation expense	443,566	343,293
<i>Other expenses</i>		
Bad debts	480,853	331,264
Allowances for expected credit losses	320,000	200,000
Consulting and IT related fees	1,762,978	2,408,529
Professional fees	267,880	206,359
Insurance	217,964	356,246
Legal fees	491,084	402,172
Sundry expense	176,340	433,545
Bank charges	241,187	116,070
Commission	788,485	160,017
Subscriptions	36,155	194,625
	4,782,926	4,808,827

Note 7. Income tax benefit

	Consolidated	
	2023	2022
	\$	\$
<i>Income tax benefit</i>		
Current tax	33,234	(2,451,708)
Deferred tax - origination and reversal of temporary differences	91,997	2,425,393
	<u>125,231</u>	<u>(26,315)</u>
Aggregate income tax expense/(benefit)		
Deferred tax included in income tax benefit comprises:		
Decrease/(Increase) in deferred tax assets (Note 12)	91,997	(2,425,393)
Decrease in deferred tax liabilities	-	-
	<u>91,997</u>	<u>(2,425,393)</u>
Deferred tax - origination and reversal of temporary differences		
	<u>91,997</u>	<u>(2,425,393)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(6,406,153)	(8,689,958)
Tax at the statutory tax rate of 25% (2022: 25%)	(1,601,538)	(2,172,489)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	189,648	143,062
Other non-deductible expenses	83,536	(123,812)
Other non-assessable income	-	(308,586)
Difference in tax rate	(834)	(753)
Change in statutory tax rate	-	37,175
Amount over provided in prior years	-	(26,305)
	<u>1,454,420</u>	<u>2,425,393</u>
Deferred tax assets derecognised/(recognised) (Note 12)		
Income tax expense/(benefit)	<u>125,231</u>	<u>(26,315)</u>

Note 8. Current assets – cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
Cash on hand	1,208	1,208
Cash at bank	14,650,364	15,762,031
Cash on deposit	19,543	21,043
	<u>14,671,115</u>	<u>15,784,282</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	14,671,115	15,784,282
Credit card (Note 14)	(38,967)	(5,552)
Balance as per statement of cash flows	<u>14,632,148</u>	<u>15,778,730</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 14. 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 2023, \$1,676,157 (2022: \$2,047,094) 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	
	2023	2022
	\$	\$
Trade receivables	79,823,843	55,452,906
Less: Allowance for expected credit losses	(800,000)	(480,000)
	<u>79,023,843</u>	<u>54,972,906</u>
Other receivables	-	1,696
BAS receivable	67,010	188,719
	<u>79,090,853</u>	<u>55,163,321</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.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Carrying amount		Expected credit loss rate		Allowance for expected credit loss	
	2023	2022	2023	2022	2023	2022
Consolidated	\$	\$	%	%	\$	\$
0-90 days	66,846,995	50,585,399	0.51%	0.64%	340,461	322,626
91 - 120 days	6,263,428	2,438,008	1.75%	1.75%	109,610	42,665
121 - 150 days	2,625,630	1,013,232	3.00%	3.00%	78,769	30,397
150+ days	4,087,790	1,416,267	6.63%	5.95%	271,160	84,312
	<u>79,823,843</u>	<u>55,452,906</u>			<u>800,000</u>	<u>480,000</u>

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

	Consolidated	
	2023	2022
	\$	\$
Opening balance	480,000	280,000
Additional provision recognised	320,000	200,000
Closing balance	<u>800,000</u>	<u>480,000</u>

Note 10. Current assets – other

	Consolidated	
	2023	2022
	\$	\$
Prepayments	49,685	233,360
Loan – other	55,000	55,000
	<u>104,685</u>	<u>288,360</u>

Note 11. Non-current assets – intangibles

	Consolidated	
	2023	2022
	\$	\$
Customer list - at cost	2,733,328	2,733,328
Less: Accumulated amortisation	<u>(1,422,147)</u>	<u>(1,124,148)</u>
	1,311,181	1,609,180
Intellectual property - at cost	6,907,736	5,997,157
Less: Accumulated amortisation	<u>(1,949,358)</u>	<u>(1,021,890)</u>
Less: R&D offset	<u>(2,521,304)</u>	<u>(1,668,214)</u>
	2,437,074	3,307,053
Borrowing costs	1,278,750	1,278,750
Less: Accumulated amortisation	<u>(1,278,750)</u>	<u>(1,065,639)</u>
	-	213,111
	<u>3,748,255</u>	<u>5,129,344</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 2022	213,111	3,307,053	1,609,180	5,129,344
Additions	-	910,579	-	910,579
R&D offset	-	(853,090)	-	(853,090)
Amortisation expense	<u>(213,111)</u>	<u>(927,468)</u>	<u>(297,999)</u>	<u>(1,438,578)</u>
Balance at 30 June 2023	<u>-</u>	<u>2,437,074</u>	<u>1,311,181</u>	<u>3,748,255</u>

Note 12. Non-current assets – deferred tax

	Consolidated	
	2023	2022
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	4,487,937	3,051,629
Employee benefits	211,939	191,650
Cost of raising equity	353,588	384,076
Provision for doubtful debts	200,000	120,000
Accrued expenses	-	131,265
Deferred tax asset not recognised	(3,892,234)	(2,425,393)
Deferred tax asset	<u>1,361,230</u>	<u>1,453,227</u>
<i>Movements:</i>		
Opening balance	1,453,227	1,453,227
Credited/(Debited) to profit or loss (Note 7)	(91,997)	-
Closing balance	<u>1,361,230</u>	<u>1,453,227</u>

The Group has unrecognised carried forward tax losses of \$15,568,937 (2022: \$ \$8,486,700), which are subject to meeting the carry forward tax loss rules in the year of utilisation. 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	
	2023	2022
	\$	\$
Trade and other payables	479,322	798,077
Accrued expenses	523,728	619,380
Accrued interest	1,232,563	744,803
	<u>2,235,613</u>	<u>2,162,260</u>

Note 14. Current liabilities – borrowings

	Consolidated	
	2023	2022
	\$	\$
Credit card	38,967	5,552
Loan - AMAL Trustees Pty Ltd (AFC 2018-1 Trust)	21,101,532	-
	<u>21,140,499</u>	<u>5,552</u>

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

On 17 September 2021, the Group entered into an amended 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 bond agreement.

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

Note 15. Non-current liabilities – borrowings

	Consolidated	
	2023	2022
	\$	\$
Loan - AMAL Trustees Pty Ltd (AFC 2018-1 Trust) – refer Note 14	-	20,673,099
Loan - AMAL Trustees Pty Ltd (AFC 2019-1 Trust)	47,294,501	34,854,067
Loan - AMAL Trustees Pty Ltd (AFC 2022-1 Trust)	11,084,334	-
Loan - Action Funding (Aust) Pty Ltd	-	820,817
	<u>58,378,835</u>	<u>56,347,983</u>

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

On 29 April 2022, the Group entered into an amended 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 9 August 2022, a further \$5 million Class A Notes were issued under the same terms as the amended bond agreement.

On 21 March 2023, a further \$3.8 million Class A Notes and \$0.5 million Class B Notes were issued under the same terms as the amended bond agreement.

On 6 June 2023, a further \$2.9 million Class A Notes and \$0.5 million Class B Notes were issued under the same terms as the amended bond agreement.

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

Note 15. Non-current liabilities - borrowings (continued)

Loan - AMAL Trustees Pty Ltd (AFC 2022-1 Trust)

In October 2022, the Group entered into a bond agreement with AMAL Trustees Pty Ltd to provide Australian dollar, floating rate debt funding to support further loan book growth. Under terms of the bond, \$10.2 million Class A 7% + 3MBBSW and \$1.2 million Class B 10.25% + 3MBBSW Notes were issued with a 4-year maturity date to 1 October 2026, with early call dates. The Notes have additional nil interest Class C equity notes, issued to 5% of the bond amount.

The AFC 2022-1 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. On 21 June 2023, the shareholders approved the conversion of the loan into 3,702,884 fully paid ordinary shares described in Note 16.

Note 16. Equity – issued capital

	2023	Consolidated		
	Shares	2022	2023	2022
		Shares	\$	\$
Ordinary shares – fully paid	160,030,000	72,383,144	31,371,283	12
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	-	-
Issue of shares – Institutional placements	19,285,715	-	3,000,000	-
Issue of shares – Loan conversion	3,702,884	-	820,817	-
Transaction costs associated with equity issue	-	-	(68,622)	-
Transaction costs associated with IPO	-	-	-	(1,549,146)
	<u>183,018,599</u>	<u>160,030,000</u>	<u>35,123,478</u>	<u>31,371,283</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.

On 21 March 2023, the Group raised \$2 million (before costs) via a placement of 14,285,715 fully paid ordinary shares at an issue price of \$0.14 to a long term institutional investor.

On 23 May 2023, the Group raised \$1 million (before costs) via a placement of 5,000,000 fully paid ordinary shares at an issue price of \$0.20 to institutional and private investors.

On 21 June 2023, shareholders approved the conversion of the loan advanced by Action Funding (Aust) Pty Ltd (an external company owned and controlled by the Co-Founders) into 3,702,884 fully paid ordinary shares at an issue price of \$0.22.

Note 17. Equity – Reserves

	Consolidated	
	2023	2022
	\$	\$
Capital reconstruction reserve	(548,151)	(548,151)
Non-controlling equity interest in a subsidiary	2	2
Share-based payments reserve	1,874,027	1,479,496
	<u>1,325,878</u>	<u>931,347</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, AFC 2019-1 Trust and AFC 2022-1. 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 18. 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.

The total carrying amount of the Group's financial assets and liabilities by category are detailed below:

	Consolidated	
	2023	2022
	\$	\$
Financial assets		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	14,671,115	15,784,282
Trade and other receivables	79,090,853	55,163,321
Total financial assets	<u>93,761,968</u>	<u>70,947,603</u>
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	479,322	798,077
Borrowings	79,519,334	56,353,535
Total financial liabilities	<u>79,998,656</u>	<u>57,151,612</u>

Note 18. Financial instruments (continued)

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 the majority of interest rates contracted and fixed for the life of the borrowing term as set out in Note 14. The exception to this is the AMAL Trustees Pty Ltd (AFC 2022-1 Trust) which has a variable component based on the 3 month BBSW rate. If this rate was increased by 1.00% it would have increased the interest expense (based on the level of borrowings at the end of the period) by \$106,119.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk, as well as holding retention amounts and or insurance coverage for client balances over a pre-determined dollar threshold. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions of those assets, as disclosed in the Statement of financial position and Notes to the financial statements.

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

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

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank facilities. The following tables detail the consolidated entity's remaining contractual maturity for its financial 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 reflect cash flows 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 - 2023					
Financial liabilities					
Trade and other payables	2,235,613	-	-	-	2,235,613
Borrowings	-	21,250,000	60,250,000	-	81,500,000
Total financial liabilities	2,235,613	21,250,000	60,250,000	-	83,737,613

Note 18. Financial instruments (continued)

	Less 3 months \$	Between 3 - 12 months \$	Between +1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2022					
Financial liabilities					
Trade and other payables	2,162,260	-	-	-	2,162,260
Borrowings	-	-	58,321,000	-	58,321,000
Total financial liabilities	2,162,260	-	58,321,000	-	60,483,260

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 19. 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 20. 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 21. 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	
	2023	2022
	\$	\$
Short-term employee benefits	1,307,944	1,130,149
Post-employment benefits	100,945	102,000
Long-term benefits	9,537	20,558
Share-based payments	331,536	293,329
	<u>1,749,962</u>	<u>1,546,036</u>

Note 22. Remuneration of auditors

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

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services -</i>		
Audit and review of the financial statements	93,740	95,093
<i>Other services -</i>		
Preparation of the tax return	8,000	-
Other non-audit services	22,698	-

Note 23. Earnings per share

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax attributable to the owners of Butn Limited	<u>(6,531,384)</u>	<u>(8,663,643)</u>

	Consolidated	
	2023	2022
Weighted average number of ordinary shares used in calculating basic loss per share	<u>164,634,024</u>	<u>158,829,358</u>

	Consolidated	
	2023	2022
	\$	\$
Basic loss per share (dollars)	(0.04)	(0.05)
Diluted loss per share (dollars)	(0.04)	(0.05)

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 24. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2023.

Note 25. Commitments

	Consolidated	
	2023	2022
	\$	\$
<i>Lease commitments</i>		
No later than 12 months:		
Short term	<u>192,900</u>	<u>160,319</u>
	<u>192,900</u>	<u>160,319</u>

The consolidated entity has no other commitments as at 30 June 2023.

Note 26. 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 21.

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	
	2023	2022
	\$	\$
Loan to other (Note 10)	55,000	55,000
Loan from Action Funding (Aust) Pty Ltd (Note 15)	-	820,817

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 27. Parent entity information

	Parent	
	2023	2022
	\$	\$
<i>Statement of profit or loss and other comprehensive income</i>		
Profit/(Loss) after income tax	(6,136,850)	(12,433,640)
Total comprehensive income/(loss)	(6,136,850)	(12,433,640)
<i>Statement of financial position</i>		
Total current assets	15,637,568	18,022,226
Total non-current assets	-	-
Total assets	15,637,568	18,022,226
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Accumulated losses	(19,485,907)	(13,349,057)
Issued capital	35,123,475	31,371,283
Total equity	15,637,568	18,022,226

Note 27. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023.

Significant accounting policies

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

Note 28. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2023 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 29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax benefit for the year	(6,531,384)	(8,663,643)
Adjustments for:		
Depreciation and amortisation	1,438,578	1,350,322
Foreign exchange differences	(1,308)	5,081
Share based payments expense	394,531	472,269
Modification gain	-	(1,235,957)
Non-cash finance expenses	1,076,209	340,488
Expected credit losses	320,000	200,000
Bad debts	480,853	331,264
Income tax expense/(benefit)	125,231	(26,315)
R&D rebate capitalised to asset	853,090	1,177,162
IPO and consultancy expenses included in financing activities	-	802,153
Change in operating assets and liabilities:		
Increase in deferred revenue	189,164	180,988
Increase in accrued expenses	392,107	93,536
Increase/(decrease) in trade and other payables	(318,756)	326,300
Increase in provision for income tax	35,211	-
Increase in employee benefits	78,735	266,357
Decrease in other receivables	705,774	529,251
Decrease in deferred tax assets	88,221	-
Net cash used in operating activities	<u>(673,744)</u>	<u>(3,850,744)</u>

Note 30. 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 new Employee Incentive Plan (New EIP) was adopted by the Group in November 2022 to provide long term incentives for senior managers and staff to deliver shareholder value and to act as a key retention tool.

Note 30. Share-based payments (continued)

(a) Employee Share Option Plan (ESOP)

In 2021, 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, the second tranche vested on 6 July 2022 with the third tranche vested after balance date on the 6 July 2023. Set out below are details of the options granted under the ESOP:

2023							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/01/2021	08/01/2026	\$0.50	4,218,750	-	-	-	4,218,750
26/02/2021	26/02/2026	\$0.50	2,600,000	-	-	-	2,600,000
			6,818,750	-	-	-	6,818,750
Weighted average exercise price			\$0.50				

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.58 years (2022: 3.58 years). 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 2021, 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:

2023							
	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Tranche 1	06/07/2024	\$0.60	1,600,000	-	-	-	1,600,000
Tranche 2	06/07/2024	\$0.70	1,600,000	-	-	-	1,600,000
Tranche 3	06/07/2024	\$0.80	1,600,000	-	-	-	1,600,000
			4,800,000	-	-	-	4,800,000
Weighted average exercise price			\$0.70				

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.02 years (2022: 2.02 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

Note 30. Share-based payments (continued)

(c) Senior Managers and Staff Options

On 27 January 2023 the company issued 6,073,000 options for nil consideration, to convert on a 1:1 basis with ordinary shares and an expiry date of four years. The options are subject to the following vesting periods and exercise prices set at a premium to the share price at grant:

Tranches	Exercise price	Vesting
Tranche 1 - 1,667,000 options	\$0.225	On grant date
Tranche 2 - 1,740,000 options	\$0.225	12 months after grant
Tranche 3 - 1,334,000 options	\$0.255	12 months after grant
Tranche 4 - 1,332,000 options	\$0.270	24 months after grant

Set out below are details of the options granted to the company's senior managers and staff:

2023

	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	27/01/2027	\$0.225	-	1,667,000	-	-	1,667,000
Tranche 2	27/01/2027	\$0.225	-	1,740,000	-	-	1,334,000
Tranche 3	27/01/2027	\$0.255	-	1,334,000	-	-	1,332,000
Tranche 4	27/01/2027	\$0.270	-	1,332,000	-	-	1,740,000
			-	6,073,000	-	-	6,073,000

Weighted average exercise price \$0.24

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.58 years.

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

	Expiry period	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Tranche 1	4 years	\$0.225	90.00%	0.00%	3.60%	\$0.080
Tranche 2	4 years	\$0.225	90.00%	0.00%	3.60%	\$0.080
Tranche 3	4 years	\$0.255	90.00%	0.00%	3.60%	\$0.076
Tranche 4	4 years	\$0.270	90.00%	0.00%	3.60%	\$0.075

The options expensed in the financial year:

	Consolidated 2023 \$	Consolidated 2022 \$
(a) ESOP	168,489	472,269
(b) Lead Manager	-	-
(c) Senior Manager and Staff	226,042	-
Share based payments expense	394,531	472,269

Butn Limited
Directors' declaration
30 June 2023

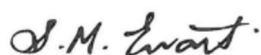
In the directors' opinion:

- 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 2023 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



Suzanne Ewart
Director



Georg Chmiel
Director

Date: 21 August 2023

BUTN LIMITED
ABN 42 644 182 883

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUTN LIMITED

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

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

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

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

Basis for Opinion

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

We confirm 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 give 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 for the year ended 30 June 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Recognition of revenue We focused our audit effort on the accuracy and occurrence of revenue as it represents the most significant driver of the Group's profits. As at 30 June 2023, the Group had generated \$11.9 million of revenue. Revenue recognition is significant to our audit as the Group may incorrectly account for fees and interest potentially leading to incorrect revenue recognition. There are a significant number of contracts, with terms that vary on a contract by contract basis, which the Group may incorrectly account for resulting in the incorrect recognition of revenue.	Our procedures included, but were not limited to: - Understanding and assessing the appropriateness of the Company's revenue recognition accounting policies and compliance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 9 <i>Financial Instruments</i>. - Obtaining an understanding of management's processes and controls surrounding revenue recognition and billing. - Performing detailed analytical procedures and investigation. - Performing revenue cut-off testing at year end. - Vouching a sample of revenue transactions to supporting documents (including contracts & bank statements) to confirm existence and accuracy of the revenue recognition. - Reviewing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Provision of expected credit losses on receivables We focused our audit effort on the existence and recoverability of the Group's trade receivables as they represent the largest assets and most significant drivers of the Group's Net Assets. As at 30 June 2023 the Group had trade receivables of \$79.1 million. The Group's receivables require a provision for expected credit losses ("ECL") in accordance with AASB 9 Financial Instruments. The existence and valuation of the trade receivables is a key audit matter due to the significant judgements used within the ECL model and the inherent estimation uncertainty in its determination.	Our procedures included, but were not limited to: - Obtaining an understanding of management's methodology for determining the provision for the allowance for expected credit losses. - Selecting a sample of receivable balances and assess balance recoverability to subsequent payments of debtors. - Assessing the accuracy of management's impairment assumptions and estimates, including loss rates, compared to actual results. - Assessing the appropriateness of the Company's impairment methodology against the requirements of relevant financial reporting standards. - Reviewing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Capitalisation of software development costs as intellectual property The Group's income is generated through the processing of transactions using internally developed software platforms disclosed as intellectual property in Note 11 of the financial report. Software development is core to the Company's operations and judgement is required in determining whether development expenditure meets the capitalisation criteria set out in Australian Accounting Standards. Internally developed software is inherently judgemental with respect to technical feasibility, intention and ability to complete the intangible asset, ability to generate future economic benefits and the ability to measure the costs reliably. This increases the risk that expenditures may be inappropriately capitalised.	Our procedures included, but were not limited to: - Testing, on a sample basis, of development expenditure incurred during the period for compliance with AASB 138 Intangible Assets and the Group's accounting policy. - Assessing evidence of Management's conclusion of the economic feasibility of the products relying on the application of the software, including board approved budgets, historical sales levels and business development plans. - Assessing the reasonableness of estimated useful life and calculation of amortisation. - Assessing whether any indicators of impairment exist. - Reviewing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.

Information Other Than The Financial Report And Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 15 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Butn Limited, for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001

Responsibilities

The Directors of Butn Limited 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.



Anh (Steven) Nguyen
Director

Hall Chadwick Melbourne Audit
Level 14 440 Collins Street
Melbourne VIC 3000

Date: 21 August 2023