

Butn Limited

ABN 42 644 182 883

Half-year report - 31 December 2022

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Butn Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on 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 half-year ended 31 December 2022.

Directors

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

Suzanne Ewart – Non-Executive Director and Independent Chair
Michael (Mike) Hirst – Non-Executive Director and Independent Director
Georg Chmiel – Non-Executive Director and Independent Director
Helen Lea – Non-Executive Director
Rael Ross – Executive Director
Walter Rapoport – Executive Director

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 provide embedded finance opportunities through third party platforms.

Review of operations

The half-year saw record growth in transactional funding to small and medium enterprises (SMEs) with key financial metrics trending positively for the 6 months ending 31 December 2022 (1H23) compared with the previous corresponding period (pcp) (1H22):

Key financial metrics	1H23	1H22	Change to 1H22
Originations (\$ millions)	214	128	Up 68%
Revenue (\$ millions)	5.5	2.5	Up 115%
Revenue margin (%)	2.6%	2.0%	Up 28%
EBITDA (\$ millions)	0.6	(2.9)	Improved
Cash generated / (used in) operating activities (\$ millions)	0.5	(2.8)	Improved
Loss before tax (\$ millions)	(2.9)	(5.2)	Improved
Loss after tax (\$ millions)	(3.0)	(3.6)	Improved

Butn has seen sustained growth in originations totalling \$214 million up 68% on pcp, culminating in December's record origination month of over \$39 million, the fifth record month in the past six.

Revenue margins have increased, through improved industry mix, an increasing contribution from the platform channel at higher margins and pass through of some pricing adjustments, together driving 1H23 revenue to \$5.5 million, up 115% on the pcp.

Butn's platform distribution channel is quickly becoming a key contributor to origination and revenue as the business scales, supported by Butn's strong relationship with its platform partners and the increasing awareness of its product offering in the SME community. The strategic MYOB partnership is growing strongly with Butn continuing to roll out its embedded funding solution to a broader MYOB business user base.

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The increased revenue was delivered with a stable operating basis, leading to positive EBITDA in 1H23, benefitting from the strong operating leverage in the business model whilst generating a positive net operating cash flow for the period.

During the 1H23 Butn continued to increase its receivable book to over \$75 million, supported by a number of debt raisings in the period totalling over \$16 million.

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

Matters subsequent to the end of the financial half-year

Other than those disclosed in the financial statements, no matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

Auditor's independence declaration

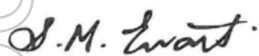
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Suzanne Ewart
Chair



Georg Chmiel
Director

24 February 2023

DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF BUTN LIMITED

As lead auditor for the review of Butn Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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



Tim Fairclough
Director

BDO Audit Pty Ltd

Melbourne, 24 February 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 half-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.

Butn Limited's registered office and principal place of business are:

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 half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 \$	31 Dec 2021 \$
Revenue	3	5,466,392	2,541,163
Operating expenses			
Employee expenses		(2,531,932)	(2,488,447)
Other expenses	5	(2,165,927)	(2,393,171)
Occupancy		(102,516)	(42,491)
		<u>666,017</u>	<u>(2,382,946)</u>
Interest revenue		127,947	9,197
Other income	4	9,761	495,249
Depreciation and amortisation expense	5	(735,841)	(704,386)
Share-based payments		(66,965)	(179,460)
Transaction costs associated with the IPO		-	(802,153)
Finance costs	5	<u>(2,945,114)</u>	<u>(1,619,777)</u>
(Loss) before income tax benefit		(2,944,195)	(5,184,276)
Income tax (expense) / benefit		<u>(31,087)</u>	1,617,267
(Loss) after income tax benefit for the half-year attributable to the owners of Butn Limited		(2,975,282)	(3,567,009)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Butn Limited		<u>(2,975,282)</u>	<u>(3,567,009)</u>
Basic (loss) per share	15	(0.02)	(0.02)
Diluted (loss) per share	15	(0.02)	(0.02)

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 31 December 2022

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	11,004,241	15,784,282
Trade and other receivables	7	74,798,344	55,163,321
Other		300,740	288,360
Total current assets		<u>86,103,325</u>	<u>71,235,963</u>
Non-current assets			
Intangibles	8	4,058,899	5,129,344
Deferred tax		1,422,128	1,453,227
Total non-current assets		<u>5,481,027</u>	<u>6,582,571</u>
Total assets		<u>91,584,352</u>	<u>77,818,534</u>
Liabilities			
Current liabilities			
Trade, accruals and other payables	9	2,306,552	2,162,260
Borrowings	10	21,729,730	5,552
Employee benefits		838,379	626,894
Deferred revenue		673,616	552,477
Total current liabilities		<u>25,548,277</u>	<u>3,347,183</u>
Non-current liabilities			
Borrowings	11	50,905,473	56,347,983
Employee benefits		16,693	101,142
Total non-current liabilities		<u>50,922,166</u>	<u>56,449,125</u>
Total liabilities		<u>76,470,443</u>	<u>59,796,308</u>
Net assets		<u>15,113,909</u>	<u>18,022,226</u>
Equity			
Issued capital	12	31,371,283	31,371,283
Reserves		998,312	931,347
Accumulated losses		(17,255,686)	(14,280,404)
Total equity		<u>15,113,909</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 half-year ended 31 December 2022

Consolidated	Issued capital \$	Capital restructure 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 half-year	-	-	-	(2,975,282)	(2,975,282)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(2,975,282)	(2,975,282)
Share-based payments expense	-	-	66,965	-	66,965
Balance at 31 December 2022	<u>31,371,283</u>	<u>(548,149)</u>	<u>1,546,461</u>	<u>(17,255,686)</u>	<u>15,113,909</u>

Consolidated	Issued capital \$	Convertible notes \$	Capital restructure reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
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 half-year	-	-	-	-	(3,567,009)	(3,567,009)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	-	(3,567,009)	(3,567,009)
Issue of shares - Convertible notes conversion	8,753,750	(8,753,750)	-	-	-	-
Embedded derivative conversion	4,166,667	-	-	-	-	4,166,667
Issue of shares - IPO	20,000,000	-	-	-	-	20,000,000
Transaction costs associated with the IPO	(1,549,146)	-	-	-	-	(1,549,146)
Share-based payments expense	-	-	-	179,460	-	179,460
Balance at 31 December 2021	<u>31,371,283</u>	<u>-</u>	<u>(548,149)</u>	<u>1,186,687</u>	<u>(9,183,770)</u>	<u>22,826,051</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 half-year ended 31 December 2022

	Note	Consolidated	Consolidated
		31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from clients		5,660,809	2,637,507
Payment to suppliers and employees		(4,035,703)	(4,574,943)
Interest received		127,676	6,609
Interest paid		(2,176,223)	(1,546,389)
Taxes refunded		932,892	644,637
		<u>509,451</u>	<u>(2,832,579)</u>
Cash flows from investing activities			
Proceeds from receivables		180,923,958	117,992,147
Payments for receivables		(201,067,477)	(126,242,352)
Payments for intangibles		(658,485)	(2,182,804)
		<u>(20,802,004)</u>	<u>(10,433,009)</u>
Cash flows from financing activities			
Proceeds from issue of shares	12	-	20,000,000
Proceeds from borrowings		16,400,000	8,500,000
Repayment of borrowings		-	(5,261,601)
Transaction costs related to the IPO		-	(1,508,687)
Transaction costs related to borrowings		(905,088)	(217,780)
		<u>15,494,912</u>	<u>21,511,932</u>
Net cash from financing activities		<u>15,494,912</u>	<u>21,511,932</u>
Net increase / (decrease) in cash and cash equivalents		(4,797,641)	8,246,344
Cash and cash equivalents at the beginning of the financial half-year		<u>15,778,730</u>	<u>15,507,774</u>
Cash and cash equivalents at the end of the financial half-year	6	<u><u>10,981,089</u></u>	<u><u>23,754,118</u></u>

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

Butn Limited
Notes to the financial statements
31 December 2022

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Butn Limited annual report for the year ended 30 June 2022 and considered with any public announcements made by Butn Ltd during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the *Corporations Act 2001* and ASX Listing Rules.

The principal accounting policies adopted are consistent with those of the 2022 annual financial statements, 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

Restatement of comparatives

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

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of activities.

The Group has incurred an operating loss after tax for the half-year ended 31 December 2022 of \$2,975,282 (31 Dec 2021: operating loss after tax \$3,567,009). The Group has operating cash in-flows of \$509,451 for the half-year ended 31 December 2022 (31 Dec 2021: operating cash outflows of \$2,832,579). The Group had cash balance as at 31 December 2022 of \$11,004,241, net assets of \$15,113,909 and net current assets of \$ 60,555,048.

Management have assessed forecast cash flows which extends to 31 March 2024 based on which the Group will have sufficient funds available to meet its commitments for at least 12 months from the date of signing of this report. Management remain extremely diligent in their monitoring of cash flows day by day.

The Group have a strong track record of negotiation of their bond facilities and are confident that they will secure a replacement facility or rollover at maturity, including for the AFC 2018-1 bond which is due to mature on 29 October 2023. The AFC 2018-1 trust bonds are secured against that bond's funded trade receivables, which if needed would provide recourse to recover cash collections to secure repayment.

Note 2. Critical accounting judgements, estimates and assumptions

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2022 annual report.

Note 3. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Revenue from customers	<u>5,466,392</u>	<u>2,541,163</u>

Note 4. Other Income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Modification gain	-	491,841
Other income	9,761	3,408
	<u>9,761</u>	<u>495,249</u>

Note 5. Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$

(Loss) before income tax includes the following specific expenses:

Amortisation

Intellectual property	480,577	318,677
Customer list	148,999	114,558
Borrowing costs	106,265	271,151
	<u>735,841</u>	<u>704,386</u>

Finance costs

Interest and finance expenses paid/payable	2,474,770	1,556,520
Unwinding of transaction costs and modification gains	470,344	63,257
	<u>2,945,114</u>	<u>1,619,777</u>

Finance costs expensed

Superannuation expense		
Defined contribution superannuation expense	224,600	196,550

Other expenses

Allowances for expected credit losses	220,000	-
Bad debts	44,201	-
Consulting and IT related fees	862,051	1,632,912
Professional fees	138,242	134,262
Insurance	130,990	183,751
Legal fees	217,013	312,566
Sundry expenses	410,415	65,532
Bank charges	143,015	64,148
	<u>2,165,927</u>	<u>2,393,171</u>

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Cash on hand	1,211	1,208
Cash at bank	10,981,987	15,762,031
Cash on deposit	21,043	21,043
	<u>11,004,241</u>	<u>15,784,282</u>

Reconciliation to cash and cash equivalents at the end of the half-year reporting period

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

Balances as above	11,004,241	15,784,282
Credit card (Note 10)	<u>(23,152)</u>	<u>(5,552)</u>
Balance as per statement of cash flows	<u>10,981,089</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 7. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Trade receivables	75,491,744	55,452,906
Less: Allowance for expected credit losses	<u>(700,000)</u>	<u>(480,000)</u>
	<u>74,791,744</u>	<u>54,972,906</u>
Other receivables	6,600	1,696
BAS receivable	<u>-</u>	<u>188,719</u>
	<u>74,798,344</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.

Butn Limited
Notes to the financial statements
31 December 2022

Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Customer list - at cost	2,733,328	2,733,328
Less: Accumulated amortisation	<u>(1,273,147)</u>	<u>(1,124,148)</u>
	<u>1,460,181</u>	<u>1,609,180</u>
Intellectual property - at cost	6,515,643	5,997,157
Less: Accumulated amortisation	<u>(1,502,467)</u>	<u>(1,021,890)</u>
Less: R&D offset	<u>(2,521,304)</u>	<u>(1,668,214)</u>
	<u>2,491,872</u>	<u>3,307,053</u>
Borrowing costs	1,278,750	1,278,750
Less: Accumulated amortisation	<u>(1,171,904)</u>	<u>(1,065,639)</u>
	<u>106,846</u>	<u>213,111</u>
	<u><u>4,058,899</u></u>	<u><u>5,129,344</u></u>

Reconciliations

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

Consolidated	Borrowing costs \$	Intellectual property \$	Customer list \$	Total \$
Balance at 1 July 2022	213,111	3,307,053	1,609,180	5,129,344
Additions	-	518,485	-	518,485
R&D offset	-	(853,089)	-	(853,089)
Amortisation expense	<u>(106,265)</u>	<u>(480,577)</u>	<u>(148,999)</u>	<u>(735,841)</u>
Balance at 31 December 2022	<u><u>106,846</u></u>	<u><u>2,491,872</u></u>	<u><u>1,460,181</u></u>	<u><u>4,058,899</u></u>

Butn Limited
Notes to the financial statements
31 December 2022

Note 9. Current liabilities – trade, accruals and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Trade and other payables	955,206	798,077
Accrued expenses	289,913	619,380
Accrued interest	1,061,433	744,803
	<u>2,306,552</u>	<u>2,162,260</u>

Note 10. Current liabilities - borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Credit card	23,152	5,552
Loan - Action Funding (Aust) Pty Ltd	820,817	-
Loan - AMAL Trustees Pty Ltd (AFC 2018-1 Trust)	20,885,761	-
	<u>21,729,730</u>	<u>5,552</u>

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 repayable after 6 July 2023.

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.

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 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Loan - AMAL Trustees Pty Ltd (AFC 2018-1 Trust) (Note 10)	-	20,673,099
Loan - AMAL Trustees Pty Ltd (AFC 2019-1 Trust)	39,869,703	34,854,067
Loan - AMAL Trustees Pty Ltd (AFC 2022-1 Trust)	11,035,770	-
Loan - Action Funding (Aust) Pty Ltd (Note 10)	-	820,817
	<u>50,905,473</u>	<u>56,347,983</u>

Note 11. Non-current liabilities - borrowings (continued)

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.

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

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

On 9 August 2022, a further \$5 million Class A 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.

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.

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	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	-	-
Transaction costs associated with IPO	-	-	-	(1,549,146)
	<u>160,030,000</u>	<u>160,030,000</u>	<u>31,371,283</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.

Butn Limited
Notes to the financial statements
31 December 2022

Note 13. Fair value measurement

Unless otherwise stated, the carrying amounts of financial assets and liabilities reflect their fair value. The carrying amounts of 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 14. 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 15. Earnings per share

	Consolidated	Consolidated
	31 Dec 2022	31 Dec 2021
	\$	\$
(Loss) after income tax attributable to the owners of Butn Limited	<u>(2,975,282)</u>	<u>(3,567,009)</u>
	Consolidated	Consolidated
	31 Dec 2022	31 Dec 2021
	160,030,000	157,648,292
Weighted average number of ordinary shares used in calculating basic (loss) per share	<u>160,030,000</u>	<u>157,648,292</u>
	Consolidated	Consolidated
	31 Dec 2022	31 Dec 2021
	\$	\$
Basic (loss) per share (dollars)	(0.02)	(0.02)
Diluted (loss) per share (dollars)	(0.02)	(0.02)

Any securities that may potentially dilute basic earnings per share have not been included because they are anti-dilutive for the period presented.

Note 16. Contingent liabilities

The consolidated entity has no contingent liabilities as at 31 December 2022.

Note 17. Events after the reporting period

On 27 January 2023 the company granted 6,073,000 options designed 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. 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
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

Note 17. Events after the reporting period (continued)

The assessed fair value of the options was determined using an adjusted Black Scholes Model which included amongst other factors the exercise price, the term of the option, the share price at grant, the expected volatility, and the risk-free rate for the option term.

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Butn Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.



Suzanne Ewart
Chair



Georg Chmiel
Director

24 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Butn Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Butn Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

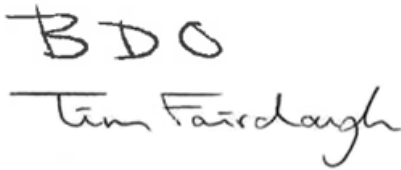
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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



Tim Fairclough
Director

Melbourne, 24 February 2023

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