# Birchal Pty Ltd

# Crowd-sourced funding offer document

Dated 12 December 2023

## Offer of fully-paid ordinary shares in Birchal Pty Ltd at $0.50 per share to raise a maximum of $2,500,000.

This crowd-sourced funding (**CSF**) offer document relates to the Offer of fully-paid ordinary shares in Birchal Pty Ltd. This Offer is made under the CSF regime in Part 6D.3A of the *Corporations Act 2001* (**Corporations Act**).

**Issuer**
Birchal Pty Ltd ACN 616 478 767

**Intermediary**
Birchal Financial Services Pty Ltd ACN 621 812 646 AFSL 502618

*Always consider the general CSF risk warning and offer document before investing*

# Table of Contents

# Section 1: Risk warning

Crowd-sourced funding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment, and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.

# Section 2: Information about the Company

## Letter from the CEO

I'm delighted to offer you another opportunity to join the Birchal community as a shareholder. Your response to our expression of interest campaign has been amazing!

Birchal is a market-leading direct investment platform with a greater than 70% share of the Australian crowd-sourced funding (**CSF**) industry.[1] Since 2018, Birchal has hosted 248 successful CSF offers, raising approximately $194m and facilitated over 110 thousand investments.

With you, we have started a powerful movement of support for Australian entrepreneurialism, which we look forward to growing over the years to come. Based on the more mature UK equity crowdfunding industry, which achieved greater than £900m funding volume in 2021, if adopted as widely as in the UK, the Australian CSF industry could grow to over $700m of capital raised per annum.[2]

Despite challenging funding conditions for entrepreneurs and growth businesses over the last 12 months, we have built momentum throughout 2023 to complete our busiest quarter ever. We successfully closed 26 CSF offers this quarter and achieved a total funding volume of approximately $29.6m for the first half of this financial year (a 24% improvement on this time last year).

Looking ahead to the first quarter of the new year, our pipeline has never been stronger. In the first quarter of 2023 we opened 10 EOIs, in comparison we already have signed agreements with 14 companies who intend to launch in the first quarter of 2024 and a further 66 potential issuers in our engagement process.

As a technology-enabled business, through focus and investment on our platform and business processes, we can scale deal capacity without a proportionate increase in our headcount. Our gross margin of approximately 80% is such that Birchal can be disproportionately profitable from core CSF revenue once it exceeds breakeven.

Since our last fully-subscribed CSF offer, we have continued to invest in our people, platform and processes. Given softer funding volumes as a result of broader market conditions, this fully-expensed investment resulted in a loss for the 2023 financial year.

As an already CSF-funded company and Australia's leading CSF platform, we have witnessed first-hand the power of community funding, which is why we are choosing to provide this opportunity to you, our community, again.

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[1] As a percentage of funds raised through completed CSF offers in 2023.
[2] This figure is calculated by applying the per capita investment in the UK CSF industry in 2021 to Australia's population, converted to AUD.

It has also been another valuable opportunity to engage with many of you and understand your needs and wishes for the future of the CSF industry.

Based on your feedback and prevailing market conditions, we are conducting this CSF offer at a lower valuation to our last CSF offer. While we believe the opportunity in Australia remains consistent and compelling, our share price for this CSF offer reflects direct investor feedback and recent market conditions.

Our near-term focus is to return to profitability through a range of initiatives to supplement and support increased funding volume including adjustment to Birchal's fee structure and continued focus on our platform, technology and business processes.

I want to thank you for your continuing support and encouragement, and hope you will join us so we can continue to grow this movement we have started together.

**Yours sincerely**

*Matt Vitale*

Matt Vitale
Co-Founder and CEO
Birchal Pty Ltd

# Investment highlights

1. An opportunity to invest in Birchal, a market-leading direct investment platform with greater than 70% share of the Australian crowd-sourced funding (**CSF**) industry.[3] Since 2018, Birchal has hosted 248 successful CSF offers, raising approximately $194m and facilitated over 110 thousand investments.

2. In the midst of challenging conditions for equity capital markets, Birchal has built momentum throughout 2023 to complete its busiest quarter ever, closing 26 successful CSF offers (beating 24 successful campaigns in Q2 FY22).

3. Birchal achieved a total funding volume of approximately $29.6m for H1 FY24, representing a 24% improvement to H1 FY23. Looking ahead to the first quarter of the new year, our pipeline has never been stronger. In the first quarter of 2023 we opened 10 EOIs, in comparison we already have signed agreements with 14 companies who intend to launch in the first quarter of 2024 and a further 66 potential issuers in our engagement process.

4. Demonstrated profitability in core business historically. More mature overseas markets and pricing structures demonstrate opportunities for growth in revenue and profitability available to Birchal as market leader as it scales.

5. Innovative product initiatives present opportunities for collaboration with industry participants designed to increase addressable market, funding volumes and recurring revenue.

[3] As a percentage of funds raised through completed CSF offers in 2023.

# Timeline

| Date | Campaign Metrics* | Achievements |
|---|---|---|
| CY2018 | Campaigns - 6<br>Funding Volume - $1.8m<br>Investments - 1.3k<br>Av Deal Size - $298k | ● Birchal Financial Services received its AFSL among the first 7 AFS licensees authorised to host CSF offers<br>● PARK SSC - Birchal's first successful CSF Offer<br>● Birchal hosts the first CSF offer made by a Pty Ltd company for Australian watch brand Bausele |
| CY2019 | Campaigns - 29<br>Funding Volume - $18.2m<br>Investments - 11.3k<br>Av Deal Size - $627k | ● Black Hops Brewing becomes first Australian craft brewery to complete a CSF offer raising its maximum target of $400k in six days<br>● Shebah Rideshare completes biggest CSF offer $3m, the biggest at the time<br>● Birchal wins its first "Hammer Award" (for nailing it) from PauseFest |
| CY2020 | Campaigns - 34<br>Funding Volume - $20m<br>Investments - 13.7k<br>Av Deal Size - $587k | ● Seabin completes successful CSF offer as COVID affects global markets<br>● Birchal the only active platform through beginning of COVID pandemic<br>● First edition of 'Funded' released<br>● Birchal hosts 10th CSF offer greater than $1m - Montu |
| CY2021 | Campaigns - 59<br>Funding Volume - $53.5m<br>Investments - 31.8k<br>Av Deal Size - $906k | ● Thrive completes equal biggest and fastest CSF offer $3m/3 days<br>● Birchal breaks through $50m in funds raised<br>● Birchal completes 100th funded CSF offer<br>● ZeroCo breaks record with $5m CSF offer in 7 hours — the first company to reach the statutory maximum subscription of $5m.<br>● Birchal Case Study published by Harvard Business School |
| CY2022 | Campaigns - 64<br>Funding Volume - $50m<br>Investments - 29.4k<br>Av Deal Size - $781k | ● Birchal breaks through $100m in funds raised<br>● Birchal uses its own platform to raise $3m from approximately 600 investors in hours<br>● Birchal hosts its 150th successful CSF offer |
| CY2023 | Campaigns - 56<br>Funding Volume - $50.4m<br>Investments - 27k<br>Av Deal Size - $905k | ● Cannaponics becomes the second company to reach a $5m maximum target<br>● Experienced technology executive Kate O'Keeffe joins Birchal board<br>● In FY23, successful CSF offers (85) exceed ASX IPOs (57) in the Australian market for the first time in a fiscal year<br>● Kellie Morton, Birchal CLO and Director appointed to board of Fintech Australia |

***Key**

**Campaigns** means the number of CSF offers successfully completed in the period
**Funding volume** means the total of funds raised from successfully completed CSF offers in the period
**Av Deal Size** means the average amount raised by successfully completed CSF offers completed in the period
**Investments** means the number of investments made into successfully completed CSF offers completed in the period

# Scorecard

| **Strategic objective from last offer** | **Progress** |
|---|---|
| Optimise our current core business, regulated CSF offers in Australia | At the time of our last CSF offer in April 2022 Birchal had hosted approximately 130 successful CSF offers, raising a total of over $100m from more than 55,000 investments.<br><br>Despite a challenging funding environment, Birchal has now raised approximately $194m across 248 successful CSF campaigns through over 110,000 investments.<br><br>Currently investing in scale and efficiency initiatives, leveraging technology to enable growth beyond our past performance and pursue adjacent opportunities. |
| Launch products and services that complement our core business | We completed a successful pilot of Birchal Trade, (a secondary market solution leveraging the low-volume market instrument), for ourselves in July 2022 following our oversubscribed CSF offer. We've confirmed a second pilot commencing shortly. We intend to offer this as a technology-only service once our platform migration is complete.<br><br>We also completed an alpha release of our investor reporting tool (Birchal Engage, which our shareholders helped to name) in October 2022, which we have been testing with our own shareholders. |
| Launch Birchal in new markets | One of the key challenges we faced during the 2022 financial year was the decision to not proceed with our expansion into the European Union, from Dublin.<br><br>This was a difficult decision for us, as we had invested considerable time and resources into this project. However, given persistent macroeconomic conditions and challenges in equity capital markets, this has proven to be the right decision for our company for now.<br><br>We have taken the time to build strong connections with investment crowdfunding platforms in overseas markets and have begun sharing insights and best practices, which might provide a pathway to a more formal strategic relationship when appropriate. |

## 2.1 Company details

This offer of shares is made by Birchal Pty Ltd ACN 616 478 767 (**Company**).

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|---|---|
| Company name | Birchal Pty Ltd |
| ACN | 616 478 767 |
| Date of incorporation | 16 December 2016 |
| Registered office | Wurundjeri Country<br>'Podium East Rialto' Level 2, 525 Collins Street, MELBOURNE VIC 3000 |
| Principal place of business | Wurundjeri Country<br>Suite 2.04, 1 Gordon Street, Cremorne VIC 3121 |
| Directors | Adam Vise, Katherine O'Keeffe, Kellie Morton, Matthew Vitale |
| Company secretary | Kellie Morton |
| Subsidiaries | Birchal Financial Services Pty Ltd (100% wholly-owned) |
| Website | www.birchal.com |
| Share Registry | Cake Equity<br>https://www.cakeequity.com/ |

**Relationship between the Issuer and the Intermediary**

Birchal Pty Ltd, the Issuer, is undertaking this Offer on the Birchal platform at www.birchal.com using Birchal Financial Services Pty Ltd (**BFS**) as the CSF intermediary or "Gatekeeper." This Offer will be managed in accordance with BFS' standard operating procedures. An external legal adviser has been engaged to advise BFS on hosting the Offer, overseeing the Gatekeeper process and any potential or perceived conflicts of interest.

## 2.2 Our business

### 2.2.1 About the Company

Birchal is a market-leading direct investment platform enabling founders to tell stories, build communities, and raise capital online, directly from retail and wholesale investors. BFS is licensed by the Australian Securities and Investments Commission (**ASIC**) (AFSL 502618), and authorised to host offers under the crowd-sourced funding regime in Part 6D.3A of the Corporations Act.

Birchal is Australia's leading CSF platform with a greater than 70% share of CSF funding volume since 2020. Since 2018, Birchal has raised approximately $194m across more than 248 successful CSF campaigns through over 110,000 investments.

Commencement of the CSF regime was a watershed moment for startups, small and medium sized enterprises (**SMEs**) and investors, and it is becoming an important part of Australia's financial system. ASIC has stated that the CSF regime appears to be operating efficiently and reliance on it appears to be increasing[4], in 2022 describing CSF as a "robust alternative for smaller companies to raise up to $5 million in 12 months with appropriate investor protection features."[5]

Through the CSF regime, investments in startups and SMEs are able to be offered to retail investors, together with wholesale investors, at scale for the first time. Australian startups are now a rapidly emerging alternative asset class that Birchal is determined to make mainstream.

### 2.2.2 Our products and services

Birchal's current core business activity is to host regulated CSF offers on the Birchal platform. Currently, Birchal's revenue is comprised of fees charged to companies for hosting CSF offers. Our current fee schedule is detailed below:

- Expression of Interest (**EOI**) Fee - $900 (plus GST);
- CSF Offer Administration Fee - $1,900 (plus GST); and
- CSF Offer Success Fee - 6% (plus GST) of total approved investment at completion.

### 2.2.3 Industry overview

After five years, Australia's CSF industry has facilitated the raising of over $248m across over 327 successful CSF offers, with 28 offers raising more than $2m. Approximately two thirds of the offers have been hosted by Birchal.[6]

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[4] Source: https://download.asic.gov.au/media/viwhdjpu/cp357-published-25-january-2022.pdf
[5] Source: https://download.asic.gov.au/media/14mkbuie/rep723-published-30-march-2022.pdf
[6] https://www.birchal.com/content/campaigns/funded-report

Amidst challenging funding conditions, Australia's CSF industry has continued to be a resilient funding source for Australian SMEs. In the 12 months to 30 June 2023, approximately $64m was raised across 85 successful CSF offers. Although the sector saw an overall dip of approximately 26% in funding volume against the prior year, the result was strong relative to other parts of the financial system.[7]

In FY23, the number of CSF offers exceeded the number of ASX initial public offerings (**IPOs**) for the first time, with 85 successful CSF offers completed, compared with just 57 ASX IPOs (as reported by The Australian). The ASX experienced an 80% fall in total capital raised in FY23.[8] A similar story is evident in the broader Australian venture capital industry, which experienced a greater than 70% fall in funding volume in H2FY23, as recently reported by Cut Through Ventures.[9]

**Emerging trends at the five year mark for Australian CSF**

Australia's CSF industry is the second-largest in the world on a per capita basis, behind only the UK, which in 2021 was seven times greater than Australia's. The UK has the most mature equity crowdfunding industry globally, with platforms in operation since 2011.[10] Two platforms lead the market, Crowdcube and Seedrs who reportedly raised £991m in 2021 combined.[11] Based on the UK experience, the size of Australia's CSF industry could be expected to exceed $700m.[12]

Some key events and trends within the Australian CSF industry include:

- **Exits and successes**
  Montu Group, which has raised $5.5m through the CSF regime across two Birchal offers ($2m in 2020 and $3.5m in 2021), has potentially achieved the greatest success of any Birchal-funded company. Montu achieved revenue of $21m in FY22 (approximately 20x FY21), earning it first place in Deloitte's Technology Fast 50 in 2022 and again in 2023 (the first time any company has achieved back to back wins).[13] Montu recently reported to shareholders preliminary revenues of $98m (with profit margin of 7% before tax) in FY23, from approximately $100k in FY20, reported at the time of their first CSF offer.

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[7] https://www.birchal.com/content/campaigns/funded-report

[8] https://www.theaustralian.com.au/business/markets/floats-and-capital-raisings-drought-hits-asx/news-story/95ed28a5673b69012ba4c61fe0ac9183

[9] Cut Through Quarterly Q2 2023, https://www.cutthrough.com/insights/cut-through-quarterly-2q-2023

[10] Schwartz A. 'Investment Crowdfunding' 2023

[11] Data presented on the UK equity crowdfunding industry has been gathered from the following sources: Equity crowdfunding platform company announcements, and the websites of Crowdcube (https://www.crowdcube.com/) and Seedrs (https://www.seedrs.com/); Various reports published by the Cambridge Centre for Alternative Finance, which are available to be downloaded online (https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance; and Various reports published by Beauhurst, which are available to download online (https://www.beauhurst.com/)

[12] This figure is calculated by applying the per capita investment in the UK CSF industry in 2021 to Australia's population, converted to AUD.

[13] https://www.deloitte.com/au/en/Industries/tmt/about/technology-fast-50.html

In November 2021, Biome Australia Limited became the first CSF-funded company to list on the ASX (ASX: BIO). Recently, two further companies having completed successful CSF offers on the Birchal platform, have announced their plans to list on securities exchanges: Line Hydrogen plans to list on the LSE; and Alta are working towards listing on a US exchange, both expected imminently.[14]

- **Birchal's dominance as a platform**
  Dominant players have emerged among investment crowdfunding industries around the world. Crowdcube and Seedrs share approximately 90% of the UK industry. In the United States, StartEngine, WeFunder and Republic are the most active platforms.[15] And in Australia, Birchal has enjoyed > 70% market share for CSF funding volume since FY20.[16]

- **Signs of growing maturity**
  In FY23, 44% of all successful Australian CSF offers were made by companies that had greater than $1m in reported revenue at the time of their offer; compared to just 22% in FY20. In FY23, 20% of all successful CSF offers were generating positive earnings at the time of their offer; compared to just 7% in FY20.[17]

- **Interest from notable investors**
  A common misconception of crowd-sourced funding is that it's only for retail 'mum and dad' investors. This is a myth that has been busted many times. Some of Australia's most high-profile investors and funds have backed CSF companies before, during and after a CSF raise.[18]

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[14] https://www.birchal.com/content/campaigns/funded-report
[15] Data presented on the USA equity crowdfunding industry has been gathered from the following sources: Equity crowdfunding platform company announcements, and the websites of StartEngine (https://www.startengine.com/), Republic (https://republic.com/) and WeFunder (https://wefunder.com/). Data and reports available at KingsCrowd, including publicly available information and information accessible for paid subscribers (https://kingscrowd.com/).

[16] https://www.birchal.com/content/campaigns/funded-report
[17] https://www.birchal.com/content/campaigns/funded-report
[18] https://www.birchal.com/content/campaigns/funded-report

## 2.3 Business and revenue model

### 2.3.1 How we generate revenue

Currently, Birchal generates revenue from fees charged (predominantly success-based) to issuing companies for hosting EOI campaigns and CSF offers. Since launching in 2018, Birchal has facilitated approximately $194m of investment through its platform, generating over $11m in revenue.

### 2.3.2 Cost base and operating model

Birchal has been capital efficient through its early stages of development, achieving breakeven and profitability early in its journey. Having passed through a series of inflection points, Birchal now has a good understanding of its cost base and operating leverage.

**Fixed costs**

Baseline fixed costs are predominantly related to people within Birchal's product, legal and compliance, campaign, finance and operations teams and platform and occupancy costs. Birchal considers a fixed cost base of approximately $5m is appropriate and indeed necessary given the regulated nature, and historical size and scale of its core business, and Birchal's ambition to grow Australia's CSF industry to its maximum potential.

Birchal's baseline fixed costs infer a need for approximately $85m to $100m in CSF funding volume to achieve breakeven (approximately double FY23 funding volume), based on Birchal's current 6% success fee, business model and technology without significant changes to its cost base. Birchal's gross margin of approximately 80% is such that Birchal can be disproportionately profitable from core CSF revenue once it exceeds breakeven.

Changes to Birchal's fee structure, for example by increasing its success fee, could reduce the funding volume required for Birchal to break even. It is also possible for Birchal to operate on a lower cost-base by reducing headcount, scaling back investment into marketing, platform technology and growth initiatives. However such an approach could limit Birchal's ambition to expand the CSF industry and achieve the full extent of its potential, and also limit Birchal's ability to leverage network effects that would typically accrue to a leading platform business.

As a technology-enabled business, Birchal's operating leverage can be improved through focus and investment on its platform and business processes, scaling capacity without a proportionate increase in headcount.

**Variable costs**

Birchal's variable costs, which represent approximately 20% of total expenditure are predominantly for digital advertising expenditure to support marketing campaigns for issuing companies, but also include payments for investor and issuer background and identity checks, payment processing fees, website and platform hosting.

### 2.3.3 How we find customers

**Issuing companies**

To date, issuing companies have been sourced predominantly through referral and reverse-enquiry. More than 20% of issuing companies have returned for a subsequent Birchal campaign.

As a two-sided digital marketplace, in the early stages of its development, Birchal's focus has been on achieving great results for founders of issuing companies, by simplifying the process of raising capital through the CSF regime.

As pioneers of a new industry, Birchal has focused on advocacy and education through its media commentary and industry publications. Birchal has achieved considerable earned media coverage, and is regularly acknowledged as Australia's leading CSF platform.

Throughout 2023 we have achieved a marked improvement to scheduling and conversion of Birchal's pipeline of predominantly inbound opportunities, as evidenced by Birchal's Q2FY23 performance. Stepping-up outbound prospecting is an ongoing focus of the campaign sales team.

**Investors**

Issuing companies invest in marketing their own campaigns, with Birchal's guidance, predominantly through social media advertising. Birchal supports campaigns on its platform with its own discretionary paid advertising activities.

All companies get access to Birchal's growing audience of over 270,000 members through Birchal's newsletters, email communications and paid advertising activities. We help issuing companies to build a bespoke audience of interested investors particular to their company's CSF offer. We have observed that greater than 20% of Birchal investors have invested more than once. We see an opportunity to grow the proportion of repeat investors further, through improvements to Birchal's platform and service offering, and as Birchal's audience scales and the industry matures.

# 2.4 Business strategy

## 2.4.1 Our vision for the future

Our ambition is to emulate the success of Australian-grown digital marketplaces and create the primary destination for founders to tell stories, build communities, and raise capital online. Just as browsing technology enabled the creation of dominant digital marketplace businesses like REA Group, Carsales and Seek in the late 90s; we are hopeful the liberalisation of Australia's securities laws through the CSF regime in 2018 may in time be regarded as the watershed moment that enabled Birchal to build the digital marketplace for startups and SMEs.

Through the CSF regime, startups and SMEs are now available widely as an asset class to Australian retail investors for the first time. We want to make startups and SMEs a mainstream (not alternative) asset class. Like any asset class, an ecosystem of products and services across the following four key pillars are needed to make it a reliable pathway for wealth creation.

1. **Primary capital** - Improving access to capital for founders with the best ideas by simplifying the fundraising process.
2. **Secondary trading** - Reducing binary win/lose outcomes for founders, while also providing more opportunities for investors to realise returns.
3. **Stakeholder engagement** - Promoting accountability, transparency, and engagement between companies and their stakeholders.
4. **Infrastructure** - Using modern technology for effective compliance while reducing friction in payments and transactions.

## 2.4.2 Near-term strategic initiatives

Birchal's near-term strategic initiatives are to:

- grow revenue by increasing CSF funding volume; and
- launch additional complementary products and services.

**Increasing CSF funding volume**

Our near-term focus is to optimise and expand our current core business, regulated CSF offers in Australia. Birchal has continued to refine its team, business systems and processes, during recent challenging funding conditions. These efforts formed the basis of the relative resilience of Birchal's CSF funding volumes, compared to other parts of the financial system.

Given challenges in the broader capital markets, Birchal's offering became more attractive to businesses that would have otherwise considered an IPO process. Raising awareness among small and micro-cap businesses, and their advisers, about the relative advantages of the CSF regime vis a vis an IPO process is a material opportunity that Birchal is now pursuing with even more vigour.

Enhancing the CSF legislation could also accelerate the growth of the market in Australia. Five years in with demonstrable success, we think it is timely and appropriate to do this.

Birchal has a plan to engage with the Government and advocate for a range of enhancements. Namely:

1. Improving incentives for companies and investors to use the CSF regime
2. Increasing the Issuer Cap from $5m to $10m
3. Expanding the types of securities that may be issued under CSF offers
4. Improving secondary market liquidity for CSF investors through operation of Low Volume Markets

We believe that growth of the CSF industry can support dynamism, competition and company formation by improving the flow of capital to early stage businesses, while simultaneously improving transparency and accountability. On that basis, we are optimistic that some enhancement to the CSF regime can be achieved.

**Investment in our platform and technology**

Our platform is market-leading. In a few short years we've achieved market dominance, established a new industry, and demonstrated profitability at a small scale.

We've invested in our product and technology so we can scale beyond our past performance. This investment is designed to enable us to:

- scale revenue without a corresponding scaling of headcount;
- make the process of raising capital even simpler;
- iterate and respond to customer needs faster; and
- lay the foundation for enhanced features, and new products and services.

**Complementary products and services**

Another near-term focus is to launch products and services that complement Birchal's current core business and diversify and grow revenue streams. For example, there is currently no organised marketplace available for retail investors to trade securities in startups and SMEs. Effective secondary trading solutions can help to reduce binary 'win/lose' outcomes for founders (and employees) of startups and SMEs; and also provide more opportunities for investors to realise returns on their investments.

Our first initiative in this area is Birchal Trade - a technology solution for companies to manage the operation of a 'Low Volume Market' in Australia, which can facilitate up to 100 transactions and $1.5 million within a 12 month period, available to retail investors, without the need for a market licence.

We completed a successful pilot of Birchal Trade for ourselves in July 2022 following our over-subscribed CSF offer. We've confirmed a second pilot commencing shortly. We intend to offer this as a technology-only service once our platform migration is complete.

Birchal is also pursuing opportunities to provide additional products and services, in response to existing client requests, particularly in relation to marketing of CSF offers.

### 2.4.3 Medium-term strategic initiatives

Birchal's business and audience offers strategic value to a range of diverse businesses. Birchal have begun engaging and identifying a range of parties that may provide strategic value in future, including:

| Financial services | Technology | Media | Self-directed |
|---|---|---|---|
| Financial markets<br>Diversified financials<br>Investment banks<br>Wealth management<br>Professional services | Crowdfunding<br>Super apps<br>FinTechs<br>Ecommerce | Traditional<br>Social | IPO<br>Acquisitions |

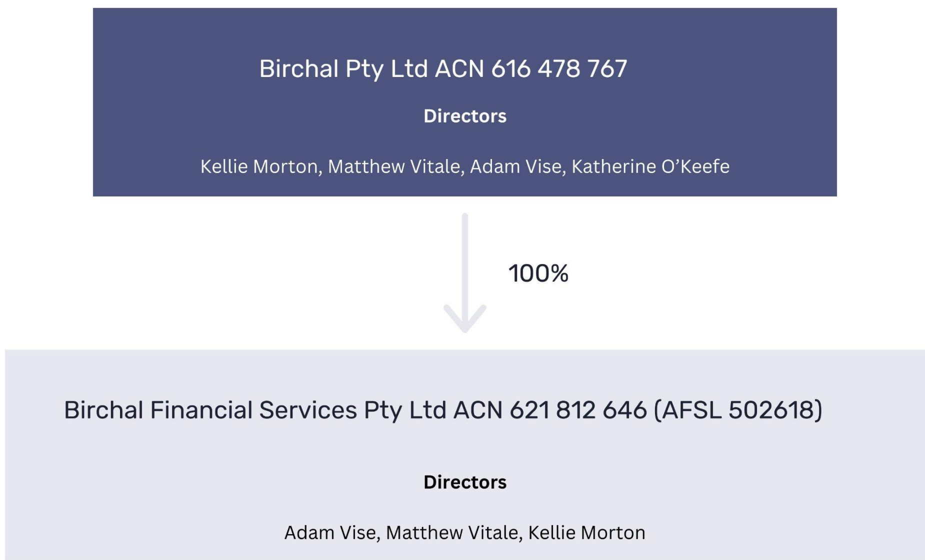
## 2.5 Our team

### 2.5.1 Organisational structure


We've built Australia's most experienced CSF team. We share a love of entrepreneurialism, and a passion for working with founders.

We value Community, Creativity, Simplicity, Principles, Purpose and the Journey.

### 2.5.2 Group structure



### 2.5.3 Directors

| Matthew Vitale | Adam Vise |
|---|---|
| **Role**<br>Co-Founder, Director & CEO | **Role**<br>Chair |
| **Duties**<br>Matt is Birchal's co-founder and CEO, and responsible for development and execution of Birchal's Board-approved strategy. Matt is also a co-signatory (with Adam) on Birchal's gatekeeper process for CSF offers. | **Duties**<br>Adam is Birchal's Chair, responsible for ensuring Birchal's Board function operates efficiently and effectively. Adam is also a co-signatory (with Matt) on Birchal's gatekeeper process for CSF offers. |
| **Skills and experience**<br>Matt's background as a financial services lawyer and entrepreneur resonates with Birchal's innovative and regulatory focus.<br><br>His expertise in financial services regulation and crowdfunding positions him as a guiding force in Birchal's industry leadership. | **Skills and experience**<br>Adam's 20-year capital market expertise, including leadership at ANZ, aligns with Birchal's financial strategy needs.<br><br>As Group Treasurer at Australian Unity and former director of ANZ's A$6 billion Staff Super Fund, his experience fortifies Birchal's financial stewardship. |
| **Katherine O'Keeffe** | **Kellie Morton** |
| **Role**<br>Non-Executive Director | **Role**<br>Chief Legal Officer and Director |
| **Duties**<br>As a Non-Executive Director, Kate does not have any day-to-day management responsibilities. Given Kate's product and technology expertise, Kate is an important and valuable voice at the Board as an advocate for Birchal's customer and product. Kate also mentors Birchal team members and can offer guidance to and augment Birchal's strategic product capability if and when needed. | **Duties**<br>Kellie is Birchal's Group Chief Legal Officer, Company Secretary, and is also a Board member. Kellie leads Birchal's legal and compliance team and has day to day responsibility for Birchal's gatekeeper process for CSF offers. |
| **Skills and experience**<br>Kate's experience in technology, innovation, and women's empowerment aligns with Birchal's commitment to diversity and technological advancement.<br><br>Her previous roles at BCG Digital Ventures and Cisco, along with creative recognition, add a dynamic and creative edge to Birchal's strategy. | **Skills and experience**<br>Kellie's global legal experience in M&A and venture capital complements Birchal's focus on investment and capital raising.<br><br>Her passion for modernising capital raising and multi-jurisdictional qualifications adds a unique legal perspective to Birchal's mission. Kellie is also a member of the board of FinTech Australia. |

### 2.5.4 Legal or disciplinary actions against the Company

As at the date of this document, no legal or disciplinary actions have been commenced against the Company or its subsidiaries.

Birchal's wholly-owned subsidiary, Birchal Financial Services Pty Ltd is a licensed CSF Intermediary, and accordingly has a range of obligations that apply to it in recognition of its important role as a 'gatekeeper' to the Birchal platform and the CSF regime.

Among other things, Birchal Financial Services must not publish, or continue to publish a CSF offer document in certain circumstances, including where the directors and senior managers of a Company are deemed to not be of good fame and character.

Prospective companies may disagree with, and be disappointed by Birchal Financial Services' decisions to refuse to publish or continue to publish a CSF Offer Document. Sometimes, companies will threaten legal action against Birchal Financial Services (and/or Birchal) as a result of these decisions.

## 2.6 Capital structure

### 2.6.1 Issued capital (before and after the Offer)

As at the date of this CSF offer document, the Company has 43,968,786 ordinary shares on issue. The majority of shares are held by the Company's founders.

The Company also has the authority to issue up to 15% of the Company's issued share capital under the Constitution.

Table 1 below sets out the issued capital of the Company before the Offer.

**Table 1: Issued capital of the Company before the Offer**

| Shareholder | Share type | Shares | Options |
|---|---|---|---|
| VOSC Investments Pty Ltd (Matt Vitale) | Ordinary | 9,637,414 (21.9%) | Nil |
| Alan Crabbe | Ordinary | 9,842,856 (22.4%) | Nil |
| ESOP (exercised and allocated) | Ordinary | 3,477,389 (7.9%) | 965,000 |
| Other Shareholders | Ordinary | 21,011,127 (47.8%) | Nil |
| Total | | 43,968,786 (100%) | 965,000 |

Table 2 sets out the issued capital of the Company following the Offer on a fully diluted basis (i.e. presuming all options are exercised).

**Table 2: Issued capital of the Company following the Offer (on a fully diluted basis)**

| **Shares** | **Minimum Subscription** | **Maximum Subscription** |
|---|---|---|
| VOSC Investments Pty Ltd (Matt Vitale) | 9,637,414 (20.4%) | 9,637,414 (18.4%) |
| Alan Crabbe | 9,842,856 (20.9%) | 9,842,856 (18.8%) |
| Other Shareholders* | 21,016,127 (44.6%) | 21,061,127 (40.2%) |
| ESOP Shares (Exercised and allocated) | 4,442,389 (9.4%) | 4,442,389 (8.5%) |
| ESOP Shares (Unallocated) | 1,707,071 (3.6%) | 2,388,821 (4.6%) |
| Offer Shares | 500,000 (1.1%) | 5,000,000 (9.5%) |
| Total Shares | 47,145,857 (100%) | 52,372,607 (100%) |

*Acacia Partners, who have assisted the Company as corporate advisors for this CSF offer, will receive a minimum fee equal to 1% of the total proceeds of the CSF Offer, and a fee of an additional 5% of investments made by specified persons which are unconfirmed as at the date of this document, to be paid in cash in relation to GST, with the balance paid in the form of shares in Birchal on substantially the same pricing and terms as those stated in this CSF Offer document. Table 2 includes the 1% fee. The additional fee is not included in Table 2 and would have a further dilutive impact on shareholders. We do not expect the amount to be more than 100,000 shares inclusive of the 1% base fee.

## 2.6.2 Rights and liabilities associated with securities

As at the date of this Offer, the only class of shares on issue are ordinary shares. The Company has also adopted an Employee Share Option Plan (**ESOP**).

Set out below is a summary of the rights and liabilities associated with the securities in the Company. A copy of the Company's Constitution is available on the Intermediary's platform.

**Ordinary Shares**

As at the date of this CSF Offer, the only class of shares on issue are ordinary shares. Accordingly, the shares offered under this Offer Document are fully-paid ordinary shares. All ordinary shares have the same voting rights and the same rights to receive dividends.

The Constitution includes other rights and obligations, including:

- Restrictions on the sale or transfer of shares, including drag and tag rights and exit provisions.
- The Constitution includes a definition of a "Substantial Shareholder" which means a shareholder with an equity proportion of 1% or more. The Substantial Shareholder concept relates to the provisions relating to "Substantial Shareholder Majority" which is a resolution approved by 75% or more of the votes cast on a resolution by the Substantial Shareholders. These concepts have application to the shareholder reserved matters regime.
- Substantial Shareholders also have pre-emptive rights in certain circumstances on the issue or transfer of shares.
- The Board has the power to refuse a transfer of shares to a third party in certain circumstances, including (among other things), where the Board reasonably determines in good faith that the transfer would be materially detrimental to the interests of the Company.

A more detailed description of the rights and liabilities associated with the ordinary shares is set out in section 3.3 below.

**Employee Share Option Plan (ESOP)**

The Company has implemented an ESOP to attract, retain and incentivise key employees. Under the Constitution, the Company has the authority to issue up to 15% of the Company's share capital (on a fully diluted basis) under the ESOP.

As at the date of this CSF Offer Document, the Company has issued and allocated a total of 4,442,389 options under the Company's existing ESOP, of which 3,477,389 options have vested and have been exercised by existing participants in the ESOP.

**Shareholders Agreement**

Other than the Constitution, there is no shareholders agreement or other agreement between the existing shareholders of the Company.

### 2.6.3 Sources of financing, including debt financing and other financing

The Company does not currently rely on debt finance to fund its operations.

The Company has accessed the Research and Development Tax Incentive (**R&DTI**). To date the Company's R&DTI refundable credits are $46,205, with none exceeding $20,000 in any financial year.

## 2.7 Key risks facing the business

An investment in Birchal Pty Ltd should be seen as high-risk and speculative. A description of the main risks that may impact the Company's business is below. Investors should read this section carefully before deciding to apply for shares under the Offer. There are also other, more general risks associated with the Company (for example, risks relating to general economic conditions or the inability to quickly or easily sell your shares).

| Risk | Description |
|---|---|
| Reputational risk | Birchal hosts offers for early stage and high growth businesses, which are inherently speculative and carry high risks. Birchal must effectively manage the reputational risk of businesses hosted by Birchal suffering poor financial performance, engaging in misconduct or other negative publicity subsequent to a CSF offer. |
| Startup risk | As an early stage business, the Company is subject to all of the risks associated with early stage companies, including uncertainty around the volume and origin of revenue streams, size and existence of repeat customers, and risks associated with evolving technology. In particular, the Company is not currently profitable and is yet to generate revenue through certain anticipated revenue streams.<br><br>The commercial success of the business will depend on many factors including the Company's ability to attract and retain quality staff and loyal customers. |
| Cash flow risk | The Company's operating activities involve a series of cash inflows and outflows. Although the Company seeks to manage its cash flow efficiently, there is a risk that the Company may not have sufficient cash or working capital, at times, to fund both its operations and its expansion plans. This could affect the Company's profitability, future prospects, and its ability to meet its business objectives. |
| Failure to maintain existing customers or win new customers | Birchal's ability to maintain successful relationships with existing customers or win new customers is fundamental to its business, growth and future profitability. There can be no guarantee that Birchal will be successful in retaining or winning customers. |
| Loss of key management personnel | Birchal's ability to effectively execute its growth strategy depends upon the performance and expertise of its key management personnel who have deep experience in, and knowledge of, Birchal's business and the market in which it operates. The loss of key management personnel, or any delay in their replacement, may adversely affect Birchal's future performance. |
| Competitors and new market entrants | The advent of increased competition may result in lower than expected market share and impact negatively on Birchal's performance. In addition, there is always a risk of new entrants in the market which may disrupt Birchal's business and market share. |

| | |
|---|---|
| Expansion of services and/or markets | Birchal plans to expand the range of services provided. Birchal's success in these new services and markets will depend on access to financial resources and human resources (potentially with new talents and skills) and a range of other factors generally. The market demand for these new services and markets is also unproven at this stage. |
| Cyber risk | The company is built on a technology platform of custom software and third party services. The information it holds about its users must be protected at all times and the services must be always available.<br><br>While the company uses industry standard practices for data security and service integrity, attacks by third-parties on the platform are a possibility and pose a risk to business continuity. |
| Failures or disruptions to technology platform and systems | Birchal depends on the constant performance, reliability and availability of its technology platform and systems. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside the control of Birchal, including third party server providers, targeted attacks or network providers. Birchal's operational processes and contingency plans may not adequately address every potential event and this may adversely impact Birchal's performance and reputation. |
| Regulatory risk | Birchal is undertaking this Offer on the Birchal platform using BFS as the Intermediary. Given the nature of the relationship between the Issuer and the Intermediary there may be a potential or perceived conflict of interest that will be managed. The Australian business operates in a highly regulated environment and is reliant on the retention of its AFSL. The evolution of the regulatory environment could affect Birchal's financial performance, expansion plans, and its ability to meet its business objectives.<br><br>Part of our growth strategy depends on obtaining additional approvals from relevant regulatory authorities. There is no guarantee that the Company will receive all necessary regulatory approvals and it cannot predict with certainty the timelines for such approvals, or whether other requirements may be imposed by regulatory authorities that could affect Birchal's current core offering or future products and services. |
| Funding risk | The Company is in the process of raising capital to fund its operations and growth. There is a risk that the Company may not be able to secure sufficient funding as required. In the event that the Company fails to raise the necessary capital on acceptable terms, or at all, it may have a material adverse effect on the Company's business operations, financial condition, and prospects. This could include the need to significantly reduce operating expenses, delay or abandon strategic initiatives and expansion plans, or cease operations entirely. |

## 2.8 Financial information

Below is a summary of the audited consolidated financial statements of the Company and its controlled subsidiaries for the financial years ended 30 June 2023 and 30 June 2022 and of the unaudited management accounts for the five months ended 30 November 2023. Management accounts have been prepared by Birchal's accountant for management purposes and accordingly may be subject to change.

The audited consolidated financial statements of the Company and its controlled subsidiaries for the financial years ended 30 June 2023 and 30 June 2022 have been included as Appendix A to this Offer Document. The audited consolidated financial statements have been prepared in accordance with the Accounting Standards and have been audited by Pitcher Partners.

### 2.8.1 Summary balance sheet

| | As at 30 November 2023$ | As at 30 June 2023 $ | As at 30 June 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4,617,792 | 3,900,012 | 8,225,885 |
| Trade and other receivables | 444,084 | 699,224 | 511,569 |
| Other | 186,937 | 53,218 | 117,472 |
| **Total current assets** | 5,248,813 | 4,652,454 | 8,854,926 |
| **Total non-current assets** | 1,226,032 | 1,073,242 | 101,870 |
| **Total assets** | 6,474,845 | 5,725,696 | 8,956,796 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 4,089,222 | 2,720,757 | 4,452,754 |
| Other current liabilities | 393,095 | 346,187 | 351,482 |
| **Total current liabilities** | 4,482,317 | 3,066,944 | 4,804,236 |
| **Total non-current liabilities** | 291,357 | 231,448 | 32,397 |
| **Total liabilities** | 4,773,674 | 3,298,392 | 4,836,633 |
| **Net assets** | 1,701,171 | 2,427,304 | 4,120,163 |
| **Total equity** | 1,701,171 | 2,427,304 | 4,120,163 |

## 2.8.2 Summary statement of comprehensive income

| | For the 5 months ended 30 November 2023 $ | For the 12 months ended 30 June 2023 $ | For the 12 months ended 30 June 2022 $ |
|---|---|---|---|
| **Revenue** | 1,504,010 | 2,941,840 | 3,822,223 |
| Other income | 218,781 | 104,171 | 1,680 |
| Interest revenue calculated using the effective interest method | 0 | 2,630 | 3,974 |
| **Expenses** | | | |
| Employee benefits expense | (1,498,335) | (3,277,234) | (1,952,540) |
| Sales and marketing expenses | (628,524) | (1,350,852) | (677,095) |
| Administration and other expenses | (317,823) | (1,064,210) | (993,522) |
| **Profit/(loss) before income tax (expense)/benefit** | (721,891) | (2,643,655) | 204,720 |
| Income tax (expense) benefit | 0 | 603,331 | (91,782) |
| **Profit/(loss) after income tax (expense) benefit for the year attributable to the owners of Birchal Pty Ltd and its controlled entities** | (721,891) | (2,040,324) | 112,938 |
| Other comprehensive income for the year, net of tax | (4,242) | (6,808) | 6,722 |
| **Total comprehensive income for the year attributable to the owners of Birchal Pty Ltd and its controlled entities** | (726,133) | (2,047,132) | 119,660 |

### 2.8.3 Management comments on historical performance and outlook

Please see the audited consolidated financial statements for FY23 and FY22 in the Company's Annual Report attached as Appendix A (FY23 Annual Report).

**Management comments on performance**

Birchal has been capital efficient through its early stages of development, achieving breakeven and profitability early in its journey.

Notwithstanding that our platform is indeed market leading; to scale beyond our past performance, it has been critical to continue to invest in our product and technology so that we can iterate and respond to customer demands and pain points faster, and also provide the foundation to introduce enhanced features, and new products and services.

As a technology-enabled business, Birchal's operating leverage can also be improved through focus and investment on its platform and business processes, designed to support a scaling of capacity without a proportionate increase in headcount.

Unfortunately, market conditions and weaker overall funding volume (and revenue) has meant that our fully expensed investment into our platform and technology has contributed to a loss for FY23, but is intended to put us in a strong position to benefit as conditions improve.

For FY23, employee benefits and subcontracted services totalled approximately $3.7m (noting subcontractors are included in part of "Sales and marketing expenses'' in the summary above). Employee benefits and subcontracted services are expected to increase marginally during FY24.

Operational advertising (i.e. advertising of CSF campaigns hosted on Birchal) and Compliance Check Expenses added to approximately $700k (a subset of 'Sales and marketing expenses' in the summary above) and these scale as funding volume and the number of campaigns increases. Other costs which included software and subscriptions, hosting costs and rent / lease expenses are expected to remain relatively constant. Funds sought under this raise are for working capital, including to provide an appropriate buffer.

**Performance during challenging conditions**

The past 12 months have been particularly challenging for equity capital markets. Birchal has been a resilient funding source in the face of softer funding conditions across the board, achieving approximately $50m annual funding volume in 2021, 2022 and 2023.

We have taken the time to implement changes to our business processes and technology that will position us well for improving conditions, and we are pleased to say they are improving.

Throughout 2023 we have built momentum to complete our busiest quarter ever, closing 26 successful CSF offers in Q2 FY24 (beating 24 successful campaigns in Q2 FY22). This is a material step up on our Q1 FY24 experience, which reflects more activity by, and increased confidence of issuers, and an enhanced sales effort.

Birchal achieved a total funding volume of approximately $29.6m for H1 FY24, representing a 24% improvement to H1 FY23.

Revenue for the period 30 June to 30 November 2023 was $1,504,010. As at 30 November 2023, the Company had net assets of $1,701,171.

Our average deal size has increased over time reflecting the growing maturity of our business and the CSF market more broadly. We expect this trend to continue over the long term.

**Going concern**

As stated on page 10 of the FY23 Annual Report, the financial statements have been prepared on a going concern basis. Based on operating cash flow projections, the Directors' anticipate the need to raise further capital within the coming 12 month period in order to continue to fund growth initiatives and meet the consolidated entity's ongoing and planned operations and commitments as and when they fall due.

The Directors have identified options to raise further capital including from private and strategic investors. As a CSF company, the consolidated entity may also consider raising further funds under the Crowd-Sourced Funding regime.

Additionally the consolidated entity will continue to monitor and control costs closely and has the ability to reduce costs if required.

As a result, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classifications of recorded assets and liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Should the consolidated entity be unsuccessful with the initiatives detailed above then, there is a material uncertainty which would cast significant doubt as to whether entity will be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement.

**Outlook**

Looking ahead to the first quarter of the new year, our pipeline has never been stronger. In the first quarter of 2023 we opened 10 EOIs, in comparison we already have signed agreements with 14 companies who intend to launch in the first quarter of 2024 and a further 66 potential issuers in our engagement process.

Comments on revenue outlook are inherently uncertain and should not be solely relied upon as they are subject to change, uncertainty and unexpected events, many of which cannot be controlled. Accordingly, actual results are likely to differ from the forecasts. No representation or assurance is or can be given that the forecasts will be achieved. Past performance is no guarantee of future performance. This revenue outlook has been prepared by the Company and has not been validated by an independent third party.

# Section 3: Information about the Offer

## 3.1 Terms of the Offer

The Company is offering up to 5,000,000 shares at an issue price of $0.50 per share to raise up to $2,500,000. The key terms and conditions of the Offer are set out below.

| Term | Details |
|---|---|
| **Shares** | Fully-paid ordinary shares |
| **Price** | $0.50 per share |
| **Minimum Subscription** | $250,000 |
| **Maximum Subscription** | $2,500,000 |
| **Opening date** | 12 December 2023 |
| **Closing date** | 21 December 2023 |

A description of the rights associated with the shares is set out in Section 3.3.

To participate in the Offer, you must submit a completed application form together with the application money via the Intermediary's platform. The Intermediary's website provides instructions on how to apply for shares under the Offer at www.birchal.com.

The Intermediary must close the Offer early in certain circumstances. For example, if the Maximum Subscription is reached, the Offer must be closed. If the Minimum Subscription is not reached or the Offer is closed but not completed, you will be refunded your application money.

Retail investors may withdraw their application during the Cooling-off Period. Further information on investor cooling-off rights can be found in Section 4 of this CSF offer document.

The Offer is not underwritten and there is no guarantee that these funds will be raised.

## 3.2 Use of funds

The table below sets out the intended use of funds raised under this Offer based on the minimum and maximum subscription amounts.

| Intended use | Minimum Subscription | Maximum Subscription |
|---|---|---|
| Working capital | $250,000 | $2,500,000 |
| Offer costs | Nil | Nil |
| Total | $250,000 | $2,500,000 |

Working capital includes digital advertising, overhead expenses, employee wages, continued platform development and a contingency for the Company to absorb unexpected future costs or pursue unexpected opportunities.

Ordinarily, offer costs would be included in the use of funds for a CSF offer, and include the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are typically up to 6% of all funds raised by the Company through Birchal Financial Services Pty Ltd (Intermediary), plus $2,800 for administration and setup costs. However in this case, the Intermediary will not charge the Company any fees for hosting this Offer.

The Company has engaged the services of corporate advisers and other professionals to assist it in making this CSF Offer. Such parties have received or will receive remuneration from existing funds (i.e. not the proceeds of this CSF offer, if successful).

Other than as specified above, no other payments from the funds raised will be paid (directly or indirectly) to related parties, controlling shareholders, or any other persons involved in promoting or marketing the Offer.

The Maximum Subscription amount will be sufficient to meet the Company’s short-term objectives over the next 12 months, and provide an adequate buffer if current economic conditions and CSF industry funding volumes do not improve.

If this CSF Offer is unsuccessful, or if only the Minimum Subscription is raised, the Company will require further funding to be able to carry out our intended activities over the next 12 months. In such circumstances, the Company may consider alternative sources of funding, such as undertaking a further CSF offer under the CSF regime or other debt or equity funding. Until additional funding is obtained, we will scale back investment into marketing and our platform technology, and continue to focus our cash resources on activities essential to hosting of CSF offers. However such an approach could limit Birchal’s ambition to expand the CSF industry and achieve the full extent of its potential, and also limit Birchal’s ability to leverage network effects that would typically accrue to a leading platform business.

## 3.3 Rights associated with the shares

Immediately after issue of the new shares under the CSF Offer, the shares will be fully-paid shares. As a private limited liability Company, there is no liability attached to the shares on the part of shareholders and the shares will rank equally with all other ordinary shares currently on issue. The rights and obligations associated with the shares are set out in full in the Company's Constitution and are summarised below at Sections 3.3.1, 3.3.2, 3.3.4, 3.3.6 and 3.3.7. A copy of the Constitution is available on the Intermediary's platform.

### 3.3.1 Voting rights

Each shareholder has one vote for each share held. Votes are cast on a show of hands and, on a poll at a shareholder meeting (or by circular resolution at law).

### 3.3.2 Dividends

All shareholders have a right to receive any dividends declared and paid by the Company. The Board may, in its discretion, set aside out of the profits of the Company reserves to be applied for any purpose it decides or invest it in investments selected by the Board. The Board may also carry forward any amount out of profits which the Board decides not to distribute, subject always to the directors' obligations under the Corporations Act (for example, the Board cannot resolve to pay dividends unless the Company's assets are sufficiently in excess of its liabilities immediately before the dividend is declared or where it may materially prejudice the Company's ability to pay its creditors). Any decision to pay a dividend may be revoked by the Board at any time before the time fixed for payment arrives.

### 3.3.3 General meetings and notices

Directors have the power to call a meeting of shareholders. Shareholders who hold at least 5% of the votes which may be cast at a general meeting of the Company have the power to call and hold a meeting themselves or to require the directors to call and hold a meeting (in accordance with the statutory provisions under the Corporations Act).

At least 21 days' notice of a meeting of Shareholders must be given to each Shareholder entitled to vote at the meeting, to each director (other than Alternates) and to the auditor (if any). Short notice is permitted in certain circumstances with the approval of 95% of shareholders. The Board may also postpone or cancel a meeting of Shareholders by written notice given individually to each person entitled to be given notice of the meeting.

### 3.3.4 Winding-up

If the Company is wound up and there are any assets left over after all the Company's debts have been paid, the liquidator may, with the approval of a Special Resolution Vote divide the assets of the Company among the Shareholders, fix the value of assets and decide how the division of assets is to be carried out between the Shareholders and vest assets of the

Company in trustees on any trusts for the benefit of the Shareholders. The surplus assets of the Company remaining after payment of the Company's debts are divisible among the Shareholders in proportion to the number of fully paid shares held by them.

### 3.3.5 Election and removal of directors

Shareholders may vote to elect and remove directors at a general meeting by way of special resolution (being 75% of those present and eligible to vote).

### 3.3.6 Restrictions on sale and transfer

**Drag along and tag along rights**

The Constitution contains customary drag and tag-along rights. In respect of the drag provisions, if Shareholders who together holding 75% of the Shares on issue propose to sell all of their shares to a third party, they can ‘drag’ the remaining 25% to sell their shares on the same terms. The pre-emptive rights process does not need to be undertaken in order for the drag along to be triggered.

If Shareholders who together hold 50% or more of the Shares on issue propose to sell their shares to a third party under one transaction (or series of transactions) the remaining 50% may also ‘tag'-along and sell their shares on the same terms.

If the Company has no CSF shareholders and is regulated under Chapter 6 of the Corporations Act, the Constitution contains a mechanism to ‘turn off’ the drag along and tag along provisions (as these provisions cannot functionally apply if the Company is regulated by Chapter 6 of the Corporations Act).

**Exit provisions**

The Board may propose an Exit Event including an IPO, share sale, asset sale or another transaction which results in a change of control, or which the Board determines is an Exit Event. A Substantial Shareholder Majority must approve the Exit Proposal. If an Exit Proposal is approved by a Substantial Shareholder Majority, all Shareholders (and Directors) must exercise all rights and do all things to enable the Exit Event to occur.

**Pre-emptive rights on transfer**

If a Substantial Shareholder provides a notice to transfer its shares (other than as a permitted disposal), the Company must first offer each other Substantial Shareholder the right to purchase those shares.

The Board may vary this procedure, provided that each Substantial Shareholder has an opportunity to acquire their pro rata entitlement to the Sale Shares and there is no material adverse impact on a Substantial Shareholder. The Constitution also includes carve outs for CSF offers and capital raisings up to 10% of the capital of the Company.

**Escrow arrangements in an IPO**

If an Exit Proposal is approved under the Constitution and that Exit Proposal involves an IPO, each Shareholder agrees to enter into any required escrow arrangements as may be required by law, the rules of the relevant stock exchange, or as may be recommended by the relevant Financial Adviser to enable the success of the IPO.

**Discretion to refuse to register a transfer of shares**

The Board has the power to refuse a transfer of shares to a third party in certain circumstances, including (among other things), where the Board reasonably determines in good faith that the transfer would be materially detrimental to the interests of the Company.

**On-sale restrictions under the Corporations Act**

Shares acquired under the Offer may not be on-sold within 12 months of their issue without a prospectus or other disclosure document, unless an exemption under section 708 of the Corporations Act 2001 (Cth) applies (e.g. sales to sophisticated or professional investors) or unless ASIC gives relief from the requirement to provide such prospectus or other disclosure document.

### 3.3.7 Pre-emptive rights / anti-dilution on issue of shares

If the Board resolves to issue new Equity Securities (which includes shares, options, warrants, convertible notes or any other instrument convertible into shares), it must first offer the new Equity Securities to each Substantial Shareholder unless one of the following exceptions apply:

1. The Board resolves to make a CSF offer;
2. The issue of Equity Securities is a public offer of securities;
3. The Board resolves to issue up to 10% in aggregate of the issued share capital of the Company, provided such issuances are not exercised more than once in any 12 month period;
4. The Substantial Shareholders waive (by Substantial Shareholder Majority) the pre-emptive rights provisions related to the issuance of new Equity Securities;
5. The Equity Securities are issued as part of an approved ESOP;
6. The Equity Securities are issued pursuant to the terms of an agreement, option or warrant or other security convertible into or exercisable in exchange for an Equity Security that existed before the date of the Constitution or was entered into in accordance with the new Constitution;
7. The Equity Securities are issued as part of an Exit Event approved in accordance with the Constitution;
8. The Equity Securities are issued as part of an arm’s length commercial agreement, provided that such issuances in any 12 month period are in aggregate not more than 5% of the issued share capital of the Company;
9. The Equity Securities are issued as part of the consideration for an acquisition of an interest in any business, entity or company approved by the Board by Special Resolution Vote.

## 3.4 What can I do with my shares?

Shares in the Company are considered illiquid as they cannot easily be transferred or sold.

However, there are numerous possible circumstances that may create an opportunity for shareholders to exit their investment in the Company. These include:

- A trade purchase of the Company
- A listing on a registered stock exchange (eg the ASX)
- A private equity investment in the Company
- A share buy-back by the Company

There is no guarantee that any of the exit options will eventuate.

## 3.5 Details of previous CSF offers

On 12 April 2022, the Company made a CSF Offer on the Intermediary’s platform. Under that CSF Offer, the Company offered up to 3 million ordinary shares at a $1.00 share price. The CSF Offer was successfully completed and the maximum subscription amount was raised.

Under that CSF Offer, the directors of the Company were Adam Vise, Matthew Vitale, Kellie Morton and Alan Crabbe.

# Section 4: Information about investor rights

## 4.1 Cooling-off rights

If you are a retail investor, you have the right to withdraw your application under this Offer and to be repaid your application money. If you wish to withdraw your application for any reason (including if you change your mind about investing in the Company), you must do so within five business days of making your application (**Cooling-off Period**).

You must withdraw your application via the Intermediary's platform. You will be able to withdraw your application within the Cooling-off Period by following the link and the instructions within your portfolio on the Intermediary's platform.

After your withdrawal has been processed, the Intermediary will refund the application money to your nominated account as soon as practicable.

## 4.2 Communication facility for the Offer

You can ask questions about the Offer on the communication facility available on the Intermediary's platform. You can also use the communication facility to communicate with other investors, with the Company and with the Intermediary about this Offer.

You will be able to post comments and questions about the Offer and see the posts of other investors on the communication facility. The Company and/or the Intermediary will also be able to respond to questions and comments posted by investors.

Officers, employees or agents of the Company, and related parties or associates of the Company or the Intermediary, may participate in the facility and must clearly disclose their relationship to the Company and/or Intermediary when making posts on the facility.

Any comments made in good faith on the communication facility are not subject to the advertising restrictions in the Corporations Act.

## 4.3 Proprietary company corporate governance obligations

### 4.3.1 Annual report

As a CSF company, Birchal is required to prepare and lodge annual audited financial and directors reports with ASIC (within four months of the financial year end). The Company has a 30 June year end and its financial reports must be lodged by 31 October each year.

### 4.3.2 Distribution of annual report

The Company is not required to notify shareholders in writing of the options to receive or access the annual report. Shareholders will not be able to elect to receive a copy of the annual report by way of email or post. However, shareholders will be sent a copy of the Annual Report via its shareholder communication tool, Engage, or on request (free of charge), or can purchase the report from ASIC.

### 4.3.3 Related party transactions

As a CSF company, the rules on related party transactions in Chapter 2E of the Corporations Act will apply to the Company (for so long as we continue to have CSF shareholders). This means that the Company is required to obtain shareholder approval before giving financial benefits to related parties of the company (e.g. directors and their spouses, children or parents), subject to certain exceptions (such as reasonable remuneration provided to directors).

### 4.3.4 Takeovers

As a CSF company with more than 50 shareholders, the takeover rules in the Corporations Act apply to the Company in a very limited way. If someone wants to buy more than 20% of the voting shares in the Company, they will be able to do so without complying with the takeover rules. This means a person may be able to get control of the Company without making a formal takeover bid to all shareholders or without seeking shareholder approval.

Shareholders will not have the benefit of the full protections under the takeover rules, which means you may not have the right to vote on or participate in a change of control of the company. However, the general principles of ensuring shareholders have sufficient information and time to consider a change of control, and all have a reasonable and equal opportunity to participate in any benefits, will apply to the Company. In addition, the Takeovers Panel has jurisdiction to hear disputes relating to control of the Company

## 4.4 Company updates

The Company will provide regular updates to investors using its shareholder communication tool, Engage, or alternatively on the Company's website at the following address www.birchal.com or via the Company's share registry website and via the Intermediary's platform.

# Glossary

**Company or Birchal or Issuer** means Birchal Pty Ltd ACN 616 478 767.

**Cooling-off Period** means the period ending five business days after an application is made under this Offer, during which a retail investor has a right to withdraw their application and be repaid their application money.

**CSF** means crowd-sourced funding under Part 6D.3A of the Corporations Act.

**Intermediary or BFS** means Birchal Financial Services Pty Ltd ACN 621 812 646 AFSL 502618.

**Issuer cap** means the maximum amount that can be raised by a company under the CSF regime within a 12-month period, currently $5m.

**Low volume market** means a financial market is a low volume financial market if, in the 12-month period before it is included on the register of low volume markets maintained by ASIC: no more than 100 completed transactions are entered into, and the value of the transactions entered into does not exceed $1.5 million. Registered low volume markets are exempt from the need to hold an Australian market licence under Corporations (Low Volume Financial Markets) Instrument 2016/888.

**Maximum Subscription** means the amount specified in this CSF offer document as the maximum amount sought to be raised by the Offer. The Maximum Subscription is subject to rounding based on the share price of the Offer.

**Minimum Subscription** means the amount specified in this CSF offer document as the minimum amount sought to be raised by the Offer. The Minimum Subscription is subject to rounding based on the share price of the Offer.

**Offer** means an offer of fully-paid ordinary shares by the Company under this CSF offer document.

**Retail investor** has the meaning given to the term “retail client” under the Corporations Act.

**SME** means small to medium enterprise.

# Additional information

**Third party statements**

This Offer Document Includes attributed statements from books, journals and comparable publications that are not specific to, and have no connection with the Company.

The authors of these books, journals and comparable publications have not provided their consent for these statements to be included in this Offer Document, and the Company is relying upon ASIC Corporations (Consents to Statements) Instrument 2016/72 for the inclusion of these statements in this Offer Document without such consent having been obtained.

**References**

Any source references linked or included in this document is for convenience only, and none of the documents or other information available via those links or documents is incorporated into this Offer Document by reference.

**Company website**

Any references to documents included on the Company's website at www.birchal.com are for convenience only, and none of the documents or other information available on the Company's website is incorporated into this Offer Document by reference.

**Auditors' report**

The Auditor's independence declaration and Independent Auditors Report included in the FY23 Annual Report was prepared by the Company's auditor in the ordinary course of the Company's business. The Company's auditor has not been involved in the preparation of this CSF Offer Document and is not responsible for its contents.

# Appendix A

Birchal Pty Ltd ACN 616 478 767 and its controlled entities Annual Report 30 June 2023, including the audited financial statements for FY23 and FY22.

# Birchal Pty Ltd and its controlled entities

**ABN 11 616 478 767**

## Annual Report - 30 June 2023

**Birchal Pty Ltd and its controlled entities**
**Contents**
**30 June 2023**



## General information

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

Birchal Pty Ltd and its controlled entities is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

**Registered office**

Level 2, Podium East, Rialto
525 Collins Street
Melbourne VIC 3000

**Principal place of business**

1 Gordon Street
Cremore VIC 3121

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 November 2023. The directors have the power to amend and reissue the financial statements.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Birchal Pty Ltd and its controlled entities (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.

**Directors**
The following persons were directors of Birchal Pty Ltd and its controlled entities during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|---|---|
| Adam Richard Vise | |
| Matthew Vitale | |
| Kellie Morton | |
| Katherine Cecilia O'Keeffe | Appointed 22 June 2023 |

**Principal activities**
During the financial year the principal continuing activities of the consolidated entity consisted of hosting regulated crowd-sourced funding ('CSF') offers as securities, as an ASIC licensed intermediary, authorised to host CSF offers made under Part 6D.3A of the Corporations Act.

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

**Review of operations**
The loss for the consolidated entity after providing for income tax amounted to $2,040,324 (30 June 2022: profit of $112,938).

**Significant changes in the state of affairs**
Birchal Financial Services Ireland Limited was incorporated on 9 November 2021 to begin activities in relation to the Group's expansion into the European Union. In May 2022 the directors of the Group decided to wind down operations in Birchal Financial Services Ireland Ltd. As such, the loan to Birchal Financial Services Ireland Limited was forgiven on 23 December 2022.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**
No 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**
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

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

**Shares under option**
Unissued ordinary shares of Birchal Pty Ltd under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 14 July 2020 | 14 July 2023 | $0.00384 | 748,162 |
| 14 November 2020 | 14 July 2023 | $0.00384 | 274,488 |
| 10 March 2023 | 9 May 2025 | $0.01000 | 613,000 |
| 22 June 2023 | 22 June 2025 | $0.02000 | 100,000 |
| | | | 1,735,650 |

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**

The following ordinary shares of Birchal Pty Ltd were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|---|---|---|
| 14 July 2020 | $0.00384 | 842,898 |
| 14 November 2020 | $0.00384 | 274,488 |
| 10 March 2023 | $0.01000 | 75,000 |
| | | 1,192,386 |

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives 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.

**Auditor's independence declaration**

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

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

On behalf of the directors

Matthew Vitale

Matthew Vitale
Director

9 November 2023

**BIRCHAL PTY LTD AND ITS CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF BIRCHAL PTY LTD AND ITS CONTROLLED ENTITIES**

In relation to the independent audit for the year ended 30 June 2023, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Birchal Pty Ltd and the entities it controlled during the year.

B POWERS
Partner

PITCHER PARTNERS
Melbourne

Date 09 November 2023

**Birchal Pty Ltd and its controlled entities**
**Consolidated statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2023**

| | Note | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|---|
| **Revenue** | 3 | 2,941,840 | 3,822,223 |
| Other income | 4 | 104,171 | 1,680 |
| Interest revenue calculated using the effective interest method | | 2,630 | 3,974 |
| **Expenses** | | | |
| Employee benefits expense | | (3,277,234) | (1,952,540) |
| Depreciation and amortisation expense | 5 | (140,098) | (7,724) |
| Impairment of assets | | (55,632) | - |
| Sales and marketing expenses | | (1,350,852) | (677,095) |
| Administration expenses | | (604,408) | (756,553) |
| Occupancy costs | | (29,532) | (121,541) |
| Travel expenses | | (35,552) | (23,022) |
| Other expenses | | (155,689) | (75,218) |
| Finance costs | 5 | (43,299) | (9,464) |
| **Profit/(loss) before income tax (expense)/benefit** | | (2,643,655) | 204,720 |
| Income tax (expense)/benefit | 6 | 603,331 | (91,782) |
| **Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Birchal Pty Ltd and its controlled entities** | 20 | (2,040,324) | 112,938 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (6,808) | 6,722 |
| Other comprehensive income for the year, net of tax | | (6,808) | 6,722 |
| **Total comprehensive income for the year attributable to the owners of Birchal Pty Ltd and its controlled entities** | | (2,047,132) | 119,660 |

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

**Birchal Pty Ltd and its controlled entities**
**Consolidated statement of financial position**
**As at 30 June 2023**

| | Note | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 3,900,012 | 8,225,885 |
| Trade and other receivables | 8 | 538,049 | 511,569 |
| Income tax refund due | 6 | 161,175 | - |
| Other | 9 | 53,218 | 117,472 |
| Total current assets | | 4,652,454 | 8,854,926 |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 46,118 | 14,524 |
| Right-of-use assets | 11 | 351,313 | - |
| Deferred tax | 6 | 556,016 | 87,346 |
| Other | 12 | 119,795 | - |
| Total non-current assets | | 1,073,242 | 101,870 |
| **Total assets** | | 5,725,696 | 8,956,796 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 2,720,757 | 4,452,754 |
| Lease liabilities | 14 | 185,055 | - |
| Income tax | 6 | - | 218,780 |
| Employee benefits | 15 | 161,132 | 132,702 |
| Total current liabilities | | 3,066,944 | 4,804,236 |
| **Non-current liabilities** | | | |
| Lease liabilities | 16 | 180,739 | - |
| Employee benefits | 17 | 50,709 | 32,397 |
| Total non-current liabilities | | 231,448 | 32,397 |
| **Total liabilities** | | 3,298,392 | 4,836,633 |
| **Net assets** | | 2,427,304 | 4,120,163 |
| **Equity** | | | |
| Issued capital | 18 | 3,747,346 | 3,742,305 |
| Reserves | 19 | 386,843 | 44,419 |
| Retained profits/(accumulated losses) | 20 | (1,706,885) | 333,439 |
| **Total equity** | | 2,427,304 | 4,120,163 |

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

**Birchal Pty Ltd and its controlled entities**
**Consolidated statement of changes in equity**
**For the year ended 30 June 2023**

| **Consolidated** | **Issued capital $** | **Reserves $** | **Retained profits $** | **Total equity $** |
|---|---|---|---|---|
| Balance at 1 July 2021 | 806,411 | 18,869 | 220,501 | 1,045,781 |
| Profit after income tax expense for the year | - | - | 112,938 | 112,938 |
| Other comprehensive income for the year, net of tax | - | 6,722 | - | 6,722 |
| Total comprehensive income for the year | - | 6,722 | 112,938 | 119,660 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 18) | 2,965,231 | - | - | 2,965,231 |
| Share-based payments (note 30) | (29,337) | - | - | (29,337) |
| Share-based payments (note 30) | - | 18,828 | - | 18,828 |
| Balance at 30 June 2022 | 3,742,305 | 44,419 | 333,439 | 4,120,163 |

| **Consolidated** | **Issued capital $** | **Reserves $** | **Retained profits $** | **Total equity $** |
|---|---|---|---|---|
| Balance at 1 July 2022 | 3,742,305 | 44,419 | 333,439 | 4,120,163 |
| Loss after income tax benefit for the year | - | - | (2,040,324) | (2,040,324) |
| Other comprehensive income for the year, net of tax | - | (6,808) | - | (6,808) |
| Total comprehensive income for the year | - | (6,808) | (2,040,324) | (2,047,132) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 18) | 5,041 | - | - | 5,041 |
| Share-based payments (note 30) | - | 349,232 | - | 349,232 |
| Balance at 30 June 2023 | 3,747,346 | 386,843 | (1,706,885) | 2,427,304 |

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

**Birchal Pty Ltd and its controlled entities**
**Consolidated statement of cash flows**
**For the year ended 30 June 2023**

| | Note | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 3,290,810 | 4,132,841 |
| Payments to suppliers (inclusive of GST) | | (5,131,932) | (3,703,576) |
| Interest received | | 2,630 | 3,974 |
| Interest and other finance costs paid | | (43,299) | (9,463) |
| Income taxes paid | | (417,590) | - |
| Net cash from/(used in) operating activities | | (2,299,381) | 423,776 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 10 | (56,783) | (11,689) |
| Payments for security deposits | | (119,795) | - |
| Net cash used in investing activities | | (176,578) | (11,689) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 18 | 5,041 | 3,030,553 |
| Payments for share buy-backs | | - | (29,337) |
| Share issue transaction costs | | - | (97,982) |
| Repayment of borrowings | | - | (17,204) |
| Payment of lease liabilities | | (102,623) | - |
| Receipts from related party loans | | 8,180 | 32,847 |
| Net client funds received/(paid) | | (1,760,512) | 3,007,239 |
| Net cash from/(used in) financing activities | | (1,849,914) | 5,926,116 |
| Net increase/(decrease) in cash and cash equivalents | | (4,325,873) | 6,338,203 |
| Cash and cash equivalents at the beginning of the financial year | | 8,225,885 | 1,887,682 |
| Cash and cash equivalents at the end of the financial year | 7 | 3,900,012 | 8,225,885 |

*The above consolidated 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 are set out either in the respective notes or 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 the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. This includes compliance with the recognition and measurement requirements of all Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Boards and the disclosure requirements of AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

**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 28.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Birchal Pty Ltd and its controlled entities ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Birchal Pty Ltd and its controlled entities 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. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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)**

**Foreign currency translation**
The financial statements are presented in Australian dollars, which is Birchal Pty Ltd and its controlled entities' functional and presentation currency.

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Going concern**
The financial statements have been prepared on a going concern basis.

As at 30 June 2023 the consolidated entity had a net loss after tax of $2,040,324 (2022:net profit after tax $112,938). The consolidated entity has a net asset position of $2,427,304 (2022:$4,120,163) and a net current asset position of $1,585,510 (2022:$4,050,690).

Based on operating cash flow projections, the Directors' anticipate the need to raise further capital within the coming 12 month period in order to continue to fund growth initiatives and meet the consolidated entity's ongoing and planned operations and commitments as and when they fall due.

The Directors have identified options to raise further capital including from private and strategic investors. As a CSF company, the consolidated entity may also consider raising under the Crowd-Sourced Funding regime.

Additionally the consolidated entity will continue to monitor and control costs closely and has the ability to reduce costs if required.

As a result, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classifications of recorded assets and liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Should the consolidated entity be unsuccessful with the initiatives detailed above then, there is a material uncertainty which would cast significant doubt as to whether the consolidated entity will be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement.

**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.

**Note 1. Significant accounting policies (continued)**

Deferred tax assets and liabilities are always classified as non-current.

**Impairment of non-financial assets**
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.

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

**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 judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Allowance for expected credit losses*
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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

*Estimation of useful lives of assets*
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Income tax*
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

*Employee benefits provision*
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**Note 3. Revenue**

| | **Consolidated** | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Revenue from contracts with customers | 2,941,840 | 3,822,223 |

*Disaggregation of revenue*
The consolidated entity provides one type of service and operates in Australia and the services are transferred at a point in time.

*Accounting policy for revenue recognition*
The consolidated entity recognises revenue as follows:

Revenue is derived from the provision of crowd source funding services. Revenue is recognised as, or when, services are transferred to the customer, and is measured at an amount that reflects the consideration to which the consolidated entity expects to be entitled in exchange for the service.

Revenue from crowd source funding services is recognised at the point in time, when the success of the fundraising can be determined. It is at this point, that the performance obligations are met (or not met) and, where successful, the resulting revenue is recognised. Consideration is payable when invoiced.

**Note 3. Revenue (continued)**

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

**Note 4. Other income**

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Net foreign exchange gain | 21,138 | 1,680 |
| Other income | 83,033 | - |
| Other income | 104,171 | 1,680 |

**Note 5. Operating profit**

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Profit/(loss) before income tax includes the following specific expenses: | | |
| *Depreciation and amortisation* | | |
| Office equipment | 22,325 | 7,500 |
| Computer equipment | 669 | 224 |
| Right-of-use Asset | 117,104 | - |
| Total depreciation and amortisation | 140,098 | 7,724 |
| *Finance costs* | | |
| Interest and finance charges paid/payable on borrowings | 7,130 | 9,464 |
| Interest and finance charges paid/payable on lease liabilities | 36,169 | - |
| Finance costs expensed | 43,299 | 9,464 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 299,557 | 170,018 |
| *Share-based payments expense* | | |
| Share-based payments expense | 349,232 | 18,828 |

## Note 6. Income tax

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Income tax expense/(benefit)* | | |
| Current tax | (134,661) | 212,058 |
| Deferred tax - origination and reversal of temporary differences | (468,670) | (120,669) |
| Adjustment recognised for prior periods | - | 393 |
| Aggregate income tax expense/(benefit) | (603,331) | 91,782 |
| Deferred tax included in income tax expense/(benefit) comprises: | | |
| Increase in deferred tax assets | (584,183) | (150,638) |
| Increase in deferred tax liabilities | 115,513 | 29,969 |
| Deferred tax - origination and reversal of temporary differences | (468,670) | (120,669) |
| *Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate* | | |
| Profit/(loss) before income tax (expense)/benefit | (2,643,655) | 204,720 |
| Tax at the statutory tax rate of 25% | (660,914) | 51,180 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 4,685 | 3,450 |
| Share-based payments | 87,308 | 4,707 |
| Blackhole expenses | - | (6,532) |
| Non-allowable items | (15,843) | 90,435 |
| Exempt income | (4,895) | (16,690) |
| | (589,659) | 126,550 |
| Adjustment recognised for prior periods | - | 393 |
| Current year tax losses not recognised | 17,782 | (35,394) |
| Prior year tax losses not recognised now recouped | - | (929) |
| Adjustment to deferred tax balances as a result of change in statutory tax rate | - | 1,162 |
| Prior year under/over provision | (31,454) | - |
| Income tax expense/(benefit) | (603,331) | 91,782 |

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Amounts credited directly to equity* | | |
| Deferred tax assets | - | (22,435) |

**Note 6. Income tax (continued)**

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Deferred tax asset* | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Tax losses | 560,632 | 150,247 |
| Allowance for expected credit losses | 9,735 | - |
| Employee benefits | 73,799 | 41,275 |
| Right-of-use assets/leases | 3,621 | - |
| Accrued expenses | 20,250 | 9,436 |
| | 668,037 | 200,958 |
| Amounts recognised in equity: | | |
| Capital raising costs | 32,661 | 32,661 |
| Deferred tax asset | 700,698 | 233,619 |
| Movements: | | |
| Opening balance | 233,619 | 60,546 |
| Credited to profit or loss | 584,183 | 150,638 |
| Credited to equity | - | 22,435 |
| Closing balance | 817,802 | 233,619 |

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Deferred tax liability* | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Property, plant and equipment | 11,529 | 2,915 |
| Prepayments | 12,337 | 27,343 |
| Accrued revenue | 105,785 | 107,500 |
| Business related costs | 15,031 | 8,498 |
| Sundry items | - | 17 |
| Deferred tax liability | 144,682 | 146,273 |
| Movements: | | |
| Opening balance | 146,273 | 116,304 |
| Charged to profit or loss | 115,513 | 29,969 |
| Closing balance | 261,786 | 146,273 |

**Note 6. Income tax (continued)**

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Net deferred tax asset/(liability) as disclosed in the statement of financial position* | | |
| Deferred tax asset | 817,802 | 233,619 |
| Deferred tax liability | (261,786) | (146,273) |
| Net deferred tax asset/(liability) | 556,016 | 87,346 |

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Income tax refund due* | | |
| Income tax refund due | 161,175 | - |

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Provision for income tax* | | |
| Provision for income tax | - | 218,780 |

*Accounting policy for 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.

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.

## Note 7. Current assets - cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Cash on hand | 108 | 108 |
| Cash at bank | 3,899,904 | 8,225,777 |
| | 3,900,012 | 8,225,885 |

*Accounting policy for cash and cash equivalents*
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Note 8. Current assets - trade and other receivables

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Trade receivables | 103,491 | 21,139 |
| Less: Allowance for expected credit losses | (38,940) | - |
| | 64,551 | 21,139 |
| Other receivables | 3,267 | - |
| Receivable from related parties | 47,093 | 55,273 |
| Accrued revenue | 423,138 | 430,000 |
| Goods and services tax receivable | - | 5,157 |
| | 538,049 | 511,569 |

*Allowance for expected credit losses*

The consolidated entity has recognised a loss of $38,940 (30 June 2022: nil) in the profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

*Accounting policy for 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 within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

## Note 9. Current assets - other

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Prepayments | 49,349 | 113,604 |
| Other deposits | 3,869 | 3,868 |
| | 53,218 | 117,472 |

**Note 10. Non-current assets - property, plant and equipment**

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Computer equipment - at cost | - | 3,083 |
| Less: Accumulated depreciation | - | (219) |
| | - | 2,864 |
| | | |
| Office equipment - at cost | 82,055 | 25,272 |
| Less: Accumulated depreciation | (35,937) | (13,612) |
| | 46,118 | 11,660 |
| | | |
| | 46,118 | 14,524 |

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

| Consolidated | Computer Equipment $ | Office Equipment $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2022 | 2,864 | 11,660 | 14,524 |
| Additions | - | 56,783 | 56,783 |
| Write off of assets | (2,195) | - | (2,195) |
| Depreciation expense | (669) | (22,325) | (22,994) |
| | | | |
| Balance at 30 June 2023 | - | 46,118 | 46,118 |

*Accounting policy for 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:

| | |
|---|---|
| Computer equipment | 2 - 4 year |
| Office equipment | 2 - 4 year |

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.

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

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Land and buildings - right-of-use | 468,417 | - |
| Less: Accumulated depreciation | (117,104) | - |
| | | |
| | 351,313 | - |

Additions to the right-of-use assets during the year were $468,417 and depreciation charged to profit or loss was $117,104.

### Note 11. Non-current assets - right-of-use assets (continued)

The consolidated entity leases land and buildings for its offices under an agreement of three years with an option to extend. The lease has various escalation clauses. On renewal, the terms of the leases are renegotiated.

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

| **Consolidated** | Land & Buildings $ | Total $ |
|---|---|---|
| Balance at 1 July 2022 | - | - |
| Additions | 468,417 | 468,417 |
| Depreciation expense | (117,104) | (117,104) |
| Balance at 30 June 2023 | 351,313 | 351,313 |

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

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

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

### Note 12. Non-current assets - other

| | **Consolidated** | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Security deposits | 119,795 | - |

### Note 13. Current liabilities - trade and other payables

| | **Consolidated** | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Trade payables | 98,464 | 79,669 |
| Client funds | 2,194,472 | 3,954,984 |
| Goods and services tax payables | 82,251 | 73,985 |
| Australian Taxation Office payable | - | 185,719 |
| Accrued expenses | 179,138 | 41,300 |
| Other payables | 166,432 | 117,097 |
| | 2,720,757 | 4,452,754 |

### Note 13. Current liabilities - trade and other payables (continued)

*Accounting policy for 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 14. Current liabilities - lease liabilities

| | Consolidated | |
|---|---|---|
| | 2023 $ | 2022 $ |
| Lease liability | 185,055 | - |

*Future lease payments*
Future lease payments are due as follows:

| | | |
|---|---|---|
| Within one year | 185,055 | - |
| One to five years | 180,739 | - |
| | 365,794 | - |

### Note 15. Current liabilities - employee benefits

| | Consolidated | |
|---|---|---|
| | 2023 $ | 2022 $ |
| Annual leave | 161,132 | 132,702 |

*Accounting policy for 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.

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

### Note 16. Non-current liabilities - lease liabilities

| | Consolidated | |
|---|---|---|
| | 2023 $ | 2022 $ |
| Lease liability | 180,739 | - |

*Future lease payments*
Future lease payments are due as follows:

| | | |
|---|---|---|
| Within one year | 185,055 | - |
| One to five years | 180,739 | - |
| | 365,794 | - |

**Note 16. Non-current liabilities - lease liabilities (continued)**

*Accounting policy for 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.

**Note 17. Non-current liabilities - employee benefits**

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Long service leave | 50,709 | 32,397 |

*Accounting policy for other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Note 18. Equity - issued capital**

| | Consolidated | | | |
|---|---|---|---|---|
| | 2023 Shares | 2022 Shares | 2023 $ | 2022 $ |
| Ordinary shares - fully paid | 42,803,598 | 41,611,212 | 3,845,328 | 3,840,287 |
| Share issue transaction costs, net of tax | - | - | (97,982) | (97,982) |
| | 42,803,598 | 41,611,212 | 3,747,346 | 3,742,305 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2022 | 41,611,212 | | 3,840,287 |
| Issue of shares on conversion of options | 14 December 2022 | 1,117,386 | $0.00384 | 4,291 |
| Issue of shares on conversion of options | 28 April 2023 | 75,000 | $0.01000 | 750 |
| Balance | 30 June 2023 | 42,803,598 | | 3,845,328 |

*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.

**Note 18. Equity - issued capital (continued)**

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.

*Capital risk management*
The consolidated entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure 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.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

*Accounting policy for issued capital*
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Note 19. Equity - reserves**

| | **Consolidated** | |
|---|---|---|
| | **2023 $** | **2022 $** |
| Foreign currency reserve | (86) | 6,722 |
| Options reserve | 386,929 | 37,697 |
| | 386,843 | 44,419 |

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

*Options 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.

*Movements in reserves*
Movements in each class of reserve during the current financial year are set out below:

| **Consolidated** | Foreign currency reserve $ | Options reserve $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2022 | 6,722 | 37,697 | 44,419 |
| Foreign currency translation | (6,808) | - | (6,808) |
| Share-based payments | - | 349,232 | 349,232 |
| Balance at 30 June 2023 | (86) | 386,929 | 386,843 |

## Note 20. Equity - retained profits/(accumulated losses)

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Retained profits at the beginning of the financial year | 333,439 | 220,501 |
| Profit/(loss) after income tax (expense)/benefit for the year | (2,040,324) | 112,938 |
| Retained profits/(accumulated losses) at the end of the financial year | (1,706,885) | 333,439 |

## Note 21. Equity - dividends

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

## Note 22. Key management personnel disclosures

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

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Short-term employee benefits | 687,988 | 641,310 |
| Post-employment benefits | 70,261 | 73,793 |
| Share-based payments | 89,637 | 10,273 |
| Termination benefits | - | 96,000 |
| | 847,886 | 821,376 |

## Note 23. Remuneration of auditors

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

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Audit services - Pitcher Partners* | | |
| Audit of the financial statements | 45,000 | 35,000 |

## Note 24. Contingent assets

The consolidated entity has no contingent assets as at 30 June 2023 and 30 June 2022.

## Note 25. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2023 and 30 June 2022.

## Note 26. Commitments

The consolidated entity has no capital commitments as at 30 June 2023 and 30 June 2022.

## Note 27. Related party transactions

*Parent entity*
Birchal Pty Ltd is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 29.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 22.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Payment for other expenses: | | |
| Telephone and internet fees paid to controlling entity, Pozible Pty Ltd | 280 | 480 |
| Web and hosting service fees paid to controlling entity, Pozible Pty Ltd | 549 | - |

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Current receivables: | | |
| Loan to other related party, Alan Crabbe | 14,234 | 16,705 |
| Loan to other related party, Vitale Family Trust | 32,859 | 38,568 |

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 28. Parent entity information

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

*Statement of profit or loss and other comprehensive income*

| | Parent 2023 $ | Parent 2022 $ |
|---|---|---|
| Loss after income tax | (1,646,234) | (445,603) |
| Total comprehensive income | (1,646,234) | (445,603) |

**Note 28. Parent entity information (continued)**

*Statement of financial position*

| | Parent 2023 $ | Parent 2022 $ |
|---|---|---|
| Total current assets | 1,943,018 | 3,512,481 |
| Total assets | 3,162,310 | 3,800,362 |
| Total current liabilities | 1,023,939 | 569,079 |
| Total liabilities | 1,255,387 | 601,476 |
| Equity | | |
| Issued capital | 3,747,346 | 3,742,305 |
| Options reserve | 386,929 | 37,697 |
| Accumulated losses | (2,227,352) | (581,116) |
| Total equity | 1,906,923 | 3,198,886 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

**Note 29. 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 % | Ownership interest 2022 % |
|---|---|---|---|
| Birchal Financial Services Pty Ltd | Australia | 100.00% | 100.00% |
| Birchal Financial Services Ireland Ltd* | Ireland | 100.00% | 100.00% |

* Incorporated on 9 November 2021

**Note 30. Share-based payments**

*Executive Option Plan ('EOP')*

A share option plan has been established by the Group, whereby the Group may, at the discretion of the Board of Directors, grant options over ordinary shares in the Company to certain key personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board of Directors.

**Note 30. Share-based payments (continued)**

Set out below are summaries of options granted under the plan:

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 |
|---|---|---|---|---|---|---|---|
| 14/07/2020 | 14/07/2023 | $0.00384 | 1,693,082 | - | (842,898) | (102,022) | 748,162 |
| 14/11/2020 | 14/07/2023 | $0.00384 | 548,976 | - | (274,488) | - | 274,488 |
| 10/03/2023 | 09/05/2025 | $0.01000 | - | 688,000 | (75,000) | - | 613,000 |
| 22/06/2023 | 22/06/2025 | $0.02000 | - | 100,000 | - | - | 100,000 |
| | | | 2,242,058 | 788,000 | (1,192,386) | (102,022) | 1,735,650 |

2022

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 14/07/2020 | 14/07/2023 | $0.00384 | 2,538,409 | - | (845,327) | - | 1,693,082 |
| 14/11/2020 | 14/07/2023 | $0.00384 | 823,464 | - | (274,488) | - | 548,976 |
| | | | 3,361,873 | - | (1,119,815) | - | 2,242,058 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.79 years (30 June 2022: 1.05 years).

*Accounting policy for share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

## Note 30. Share-based payments (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

## Note 31. Events after the reporting period

No 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the 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 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Matthew Vitale

Matthew Vitale
Director

9 November 2023

**BIRCHAL PTY LTD AND CONTROLLED ENTITIES**
**ABN: 11 616 478 767**

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF BIRCHAL PTY LTD AND CONTROLLED ENTITIES**

## Report on the Audit of the Financial Report

*Opinion*

We have audited the financial report of Birchal Pty Ltd "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of 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 financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(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 – Simplified Disclosures 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 (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1 Going Concern in the financial report, which indicates that the Group incurred a net loss of $2,040,324 during the year ended 30 June 2023. As at 30 June 2023, the Group's current assets exceeded their current liabilities by $1,585,510.

As stated in Note 1, these events, or conditions, along with other matters as set forth in Note 1, indicate that, if sufficient funding is not obtained, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Other Information*

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

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

*Auditor's Responsibilities for the Audit of the Financial Report*

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism 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 management.
- Conclude on the appropriateness of management's 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.

We communicate with those charged with governance 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.

B POWERS
Partner

PITCHER PARTNERS
Melbourne

Date: 09 November 2023