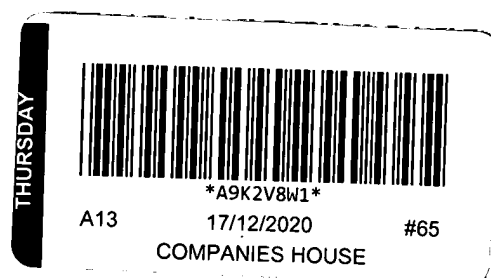


ThinkSmart Europe Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2020

Company Number: 04610727



THINKSMART EUROPE LIMITED

YEAR ENDED 30 JUNE 2020

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THINKSMART EUROPE LIMITED

YEAR ENDED 30 JUNE 2020

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 30 June 2020.

Principal activities

The principal activity of the Company is that of a European investment holding company for the European entities that form part of the ThinkSmart Group.

Business review

The financial position at the end of the period is satisfactory. The Company will continue to be used as the investment company for any future European companies that are incorporated as part of the ThinkSmart Group. The profit and loss account is set out on page 8. The profit for the financial year ending 30 June 2020 of £52,423,399 has been transferred to reserves (financial period ending 30 June 2019: Profit of £7,313,463). There were no dividends declared or paid during this financial year (2019: £4,175,000).

Due to the reduced business volumes being generated through established products the Group diversified its product range in FY2018 with the launch of ClearPay, a new and innovative consumer credit product. On 23 August 2018 the Company sold 90% of ClearPay Finance Ltd ("ClearPay") to Afterpay Touch Group Ltd ("Afterpay"). The Company retains a 10%* holding in ClearPay which provides the Company with further upside potential.

Continuing to trade as Clearpay post acquisition by Afterpay, the Clearpay UK business exceeded 1 million active customers in its first full year of operation, representing in excess of 10% of Afterpay's group active customers at 30 September 2020. Growth in active customers was mirrored by growth in merchants, with 1,900 merchants added to the Clearpay UK platform to 30 September 2020. Underlying sales for Clearpay were \$0.3 billion in Q1 FY21 which represented 7% of Afterpay's group underlying sales. The ongoing growth in Clearpay is beneficial to the Company.

*A proportion of the 10% retained shareholding (up to 3.5% of the total share capital of ClearPay) will be made available to employees of ClearPay under an employee share ownership plan.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In forming their view, the directors have considered the Company's prospects for a period exceeding twelve months, from the date the financial statements were approved. ThinkSmart Limited provides support in the form of an intragroup loan which it has indicated will not be recalled until the Company is in a position to repay the loan. Provided that the Company receives ongoing support at the current level the forecasts indicate that it will have sufficient funds for the period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors have assessed the impact of COVID-19 on the current and forecast position of the Company. As the Company has only been minimally impacted the directors confirm that they are satisfied that the Company has adequate resources to meet its liabilities as they fall due even when stressed to reasonable worst case scenarios. For this reason, they continue to adopt the going concern basis for preparing the accounts.

Directors

The directors who held office during the year and up to the date of this report, were as follows:

N. Montarello
G. Halton

THINKSMART EUROPE LIMITED

YEAR ENDED 30 JUNE 2020

REPORT OF THE DIRECTORS (continued)

Political and charitable contributions

The Company made no political or charitable donations during the year, (2019: £nil).

Disclosure of information to auditors

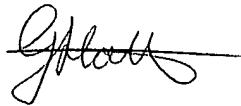
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors have also taken advantage of the small companies' exemption from the requirement to prepare a strategic report.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board



Gary Halton
Secretary
7th Floor, Oakland House, Talbot Road,
Old Trafford, Manchester, M16 0PQ

Date: 11 December 2020

THINKSMART EUROPE LIMITED

YEAR ENDED 30 JUNE 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINKSMART EUROPE LIMITED

We have audited the financial statements of ThinkSmart Europe Limited ("the Company") for the year ended 30 June 2020 which comprise the Statement of total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report of the Directors, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINKSMART EUROPE LIMITED (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities in respect of the Directors' report and the Financial Statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINKSMART EUROPE LIMITED
(continued)**

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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
11 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

THINKSMART EUROPE LIMITED
YEAR ENDED 30 JUNE 2020

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	30 June 2020 £	30 June 2019 £
Turnover			
Dividend income receivable		-	275,000
Interest income		123,173	317,491
Gross profit		<u>123,173</u>	<u>592,491</u>
Unrealised exchange gain – loan	13	152,170	96,218
Interest payable	6	(569,506)	(624,189)
Impairment on investment in subsidiaries	8	(1,413,289)	(2,508,339)
Impairment of intercompany debts		(250,000)	(1,801,088)
Gain on sale of shares in ClearPay Finance Ltd	10	-	9,917,872
Gains on Financial Instruments	11	54,417,828	1,647,201
Other expenses		(36,977)	(6,703)
Profit on ordinary activities before taxation		<u>52,423,399</u>	<u>7,313,463</u>
Tax on profit on ordinary activities	7	-	-
Profit for the financial year		<u><u>52,423,399</u></u>	<u><u>7,313,463</u></u>
Other comprehensive income net of income tax		-	-
Total comprehensive income for the financial year		<u><u>52,423,399</u></u>	<u><u>7,313,463</u></u>

All the company's activities are classed as continuing.

The notes on pages 11 to 17 form an integral part of these financial statements.

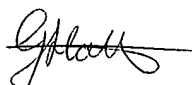
THINKSMART EUROPE LIMITED
YEAR ENDED 30 JUNE 2020

BALANCE SHEET

	Note	30 June 2020 £	30 June 2019 £
Fixed assets			
Investments	8	3,934,678	4,420,791
Financial assets at Fair Value through profit and loss	9	53,733,333	1,794,531
Current assets			
Cash at bank and on hand		3,386,513	3,951,053
Intercompany debtors	12	1,162,941	500,000
Other debtors		-	1,909,100
Non-current assets			
Intercompany debtors	12	-	3,897,242
Total assets		<u>62,217,465</u>	<u>16,472,717</u>
Current liabilities			
Creditors		(68,133)	(39,030)
Loan from ThinkSmart Limited	13	(8,415,129)	-
Total assets less current liabilities		<u>53,734,203</u>	<u>16,433,687</u>
Non-Current liabilities			
Loan from ThinkSmart Limited	13	-	(15,122,883)
		-	(15,122,883)
Net assets		<u><u>53,734,203</u></u>	<u><u>1,310,804</u></u>
Capital and reserves			
Called up share capital	14	1,250,001	1,250,001
Profit and loss account		52,484,202	60,803
Shareholders' funds		<u><u>53,734,203</u></u>	<u><u>1,310,804</u></u>

The notes on pages 11 to 17 form an integral part of these financial statements.

The financial statements on pages 8 to 17 were approved by the board of directors on 11 December 2020 and were signed on its behalf by:



Gary Halton (Director)

Company Number 04610727

THINKSMART EUROPE LIMITED
YEAR ENDED 30 JUNE 2020

STATEMENT OF CHANGES IN EQUITY

	Fully paid ordinary shares	Accumulated profit	Total Equity
	£	£	£
Balance at 1 July 2018	1,250,001	(3,077,660)	(1,827,659)
Profit for the year	-	7,313,463	7,313,463
Other comprehensive income net of income tax	-	-	-
Total comprehensive profit for the financial year	-	7,313,463	7,313,463
Dividends paid	-	(4,175,000)	(4,175,000)
Balance at 30 June 2019	1,250,001	60,803	1,310,804
 Balance at 1 July 2019	 1,250,001	 60,803	 1,310,804
Profit for the year	-	52,423,399	52,423,399
Other comprehensive income net of income tax	-	-	-
Total comprehensive profit for the financial year	-	52,423,399	52,423,399
Dividends paid	-	-	-
Balance at 30 June 2020	1,250,001	52,484,202	53,734,203

The notes on pages 8 to 17 form an integral part of these financial statements.

THINKSMART EUROPE LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

ThinkSmart Europe Limited (the "Company") is a private company limited by shares incorporated and domiciled in England and Wales. The Company's registered address is 7th Floor Oakland House, Talbot Road, Old Trafford, Manchester, M16 0PQ. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's immediate and ultimate parent undertaking, ThinkSmart Limited incorporated in Australia and listed on the Alternative Investment Market ("AIM"), a sub-market of the London Stock Exchange includes the Company in its consolidated financial statements. The consolidated financial statements of ThinkSmart Limited are general purpose financial statements which have been prepared and approved by the Directors in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001. The consolidated financial statements comply with International Financial Reporting Standard (IFRS) adopted by the International Accounting Standards Board (IASB) as well as International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The consolidated financial statements of ThinkSmart Limited are available to the public and may be obtained from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia.

As a qualifying entity, in these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of ThinkSmart Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

THINKSMART EUROPE LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting Policies (continued)

1.1 Measurement convention

The Company's functional and presentation currency is GBP. All amounts in these financial statements are rounded to the nearest £1. The financial statements are prepared on the basis of historical cost with the exception of certain financial instruments measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Basis of preparation

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In forming their view, the directors have considered the Company's prospects for a period exceeding twelve months, from the date the financial statements were approved. ThinkSmart Limited provides support in the form of an intragroup loan which it has indicated will not be recalled until the Company is in a position to repay the loan. Provided that the Company receives ongoing support at the current level the forecasts indicate that it will have sufficient funds for the period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors have assessed the impact of COVID-19 on the current and forecast position of the Company. As the Company has only been minimally impacted the directors confirm that they are satisfied that the Company has adequate resources to meet its liabilities as they fall due even when stressed to reasonable worst case scenarios. For this reason, they continue to adopt the going concern basis for preparing the accounts.

2. Fixed asset investments

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been an impairment, in which case an appropriate adjustment is made. Equity investments are stated at Fair Value through Profit and Loss (FVPL) in accordance with IFRS 9 – Financial Instruments (see note 9).

3. Taxation

The charge for taxation is based on the profit/(loss) for the year.

4. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

5. Profit on ordinary activities before taxation

The auditor's remuneration is borne by RentSmart Limited.

6. Interest payable

	30 June 2020	30 June 2019
	£	£
ThinkSmart Limited	(569,506)	(624,189)

THINKSMART EUROPE LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tax on profit on ordinary activities

	30 June 2020	30 June 2019
	£	£
Current income tax (credit) for the year	-	-
Total income tax (credit)	-	-

Reconciliation of effective tax rate

	30 June 2020	30 June 2019
	£	£
Accounting profit/(loss) before tax	52,423,399	7,313,463
Tax using the UK corporation tax rate*	9,960,446	1,389,558
Unrecognised tax losses brought forward utilised in year	(85,525)	(215,144)
Fair value gain	(10,197,933)	(1,892,197)
Expenses not deductible for tax purposes	323,012	717,783
Total income tax charge/(credit)	-	-

Temporary differences and losses on which deferred tax not recognised at 30 June 2020 amounted to £831,312.

* The Finance Act 2015 reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2020 retains the current rate of 19% for financial years starting 1 April 2020 and 1 April 2021.

8. Investments

	30 June 2020	30 June 2019
	£	£
Shares in group undertakings at cost	3,934,678	4,420,791

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage
RentSmart Limited	UK	Trading	Ordinary - 100%
ThinkSmart UK Limited	UK	Trading	Ordinary - 100%
ThinkSmart Financial Services Limited	UK	Trading	Ordinary - 100%
ThinkSmart Insurance Services Administration Limited	UK	Trading	Ordinary - 100%
ThinkSmart Finance Group Limited	UK	Dormant	Ordinary - 100%
Smartcheck SI	Spain	Dormant	Ordinary - 100%

All companies principal activity is Equipment Rental with the exception of ThinkSmart Insurance Services Administration Limited which arranges insurance for Rental Equipment. The below table shows the movement in investment for each subsidiary during the financial year.

Subsidiary undertakings	Investment 1 July 2019	Additions	Disposals	Impairment	Investment 30 June 2020
RentSmart Limited	3,996,791	834,000	-	(1,349,705)	3,481,086
ThinkSmart UK Limited	-	-	-	-	-
ThinkSmart Financial Services Limited	400,000	-	-	-	400,000
ThinkSmart Insurance Services Administration Limited	24,000	-	-	-	24,000
Smartcheck SI	-	93,176	-	(63,584)	29,592
Total	4,420,791	927,176	-	(1,413,289)	3,934,678

THINKSMART EUROPE LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Financial assets at fair value through profit and loss

	30 June 2020	30 June 2019
	£	£
125,000 APT shares held at fair value (i)	-	1,734,531
Investment in ClearPay Finance Ltd (ii)	53,733,333	60,000
	<u>53,733,333</u>	<u>1,794,531</u>

- i) At 30 June 2019 the Company held 125,000 Afterpay Ltd (APT) shares at fair value. APT are listed on the Australian Stock Exchange (ASX) and the shares are a level 1 financial instrument held at fair value through the profit and loss account under IFRS 9. At 30 June 2019, the APT shares closed at AUD 25.07 per share. The holding of 125,000 APT shares were sold on 28 August 2019 at AUD 27.73 per share.
- ii) On 23 August 2018 the Company sold 90% of Clearpay Finance Limited to Afterpay Ltd (formerly Afterpay Touch Group Ltd)(ASX:APT). The Company retains a 10% shareholding in Clearpay which is held as an investment at fair value through profit or loss under IFRS 9. A proportion of the 10% shareholding (up to 35%) will be made available by the Company to employees of Clearpay under an employee share ownership plan ("ESOP"). Afterpay has a call option to purchase the remaining shares held by the Company, exercisable at any time after 23 August 2023. The Company has a reciprocal put option to sell the remaining shares held by the Company to Afterpay, exercisable after 23 February 2024. Under either the call or put option, the sale of the Clearpay shares to Afterpay will be at a price calculated on agreed valuation principles. The Company engaged a third party global professional services firm to value its retained shareholding in Clearpay at 30 June 2020 for accounting purposes under IFRS 9 in accordance with IFRS 13 (Fair Value Measurement). The independent valuation process, in accordance with the agreed valuation principles, uses the same valuation metrics, multiples and methodologies, including those used by market participants and with regard to sell-side analysts, to value the Clearpay business within the Afterpay listed group. This valuation has been undertaken based on publicly available information, reflecting the above and including a discount of 20% to be applied for minority holding and the lack of marketability of Clearpay as a privately owned company, and has produced a range of values for the Company's 10% shareholding in Clearpay. Reducing the discount for lack of marketability to 10% would increase the fair value by £6.7m; increasing the discount for lack of marketability to 30% would reduce the fair value by £6.7m. Since March 2020 the Afterpay share price has been on an upward trajectory which has continued since the year end indicating continued growth in the value of the Company's 10% shareholding. Further, the Afterpay FY20 accounts reflect that initial growth in active customers is followed by increases in the transaction value and underlying sales metrics as the customer base matures and repeat spend increases. In FY20 Afterpay's Australia and New Zealand business, which is their most mature market, represented 59.5% of underlying sales but only 33.3% of active customers. For the same period, the US market represented 36% of underlying sales but 57% of active customers, and the UK market represented 5.4% of underlying sales but 10% of active customers. To reflect the relationship between maturity of customer base and underlying sales the Directors believe that greater weighting should be assigned to active customers.

In line with this the Company has taken the valuation of the 10% shareholding at two thirds of the range produced by the independent valuation. As the Company has limited control over the setting of the price that it will receive for the transfer of the ESOP shares to the Clearpay employees, the Company has further discounted the valuation by 35% to determine the accounting fair value of its retained shareholding in Clearpay to be £53.733m at 30 June 2020. The investment in Clearpay is a level 3 financial instrument.

THINKSMART EUROPE LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Gain on sale of shares in Clearpay Finance Ltd

	30 June 2020	30 June 2019
	£	£
Consideration for sale of shares in ClearPay Finance Ltd	-	10,510,430
Cost of shares sold	-	(540,000)
Costs associated with sale of shares	-	(52,558)
	<u>-</u>	<u>9,917,872</u>

On 23 August 2018, the Company completed the sale of 90% of the issued shares in its wholly owned trading subsidiary, ClearPay Finance Ltd, to Afterpay Touch Group Ltd for 1,000,000 shares in the capital of Afterpay Touch Group (valued at AUD \$18.55m at close on 22 August 2018 when SPA signed) ("Consideration Shares") issued to the Company. An initial tranche of 750,000 shares were issued to the Company at completion on 23 August 2018 (am AEST) and a second tranche of 250,000 shares were issued to the Company on 23 February 2019, being 6 months from completion. The sale of ClearPay Finance Limited is not considered to result in a tax charge for the Company by virtue of the Substantial Shareholdings Exemption. Based on professional advice, the directors consider that the Company is exempt from the charge to tax on gains or losses accruing on the disposal by companies of shares as they meet the conditions of this exemption.

11. Gains on financial instruments

	30 June 2020	30 June 2019
	£	£
Realised gains	744,495	1,226,613
Unrealised gains	53,673,333	420,588
	<u>54,417,828</u>	<u>1,647,201</u>

In the period to 30 June 2020 realised gains arose on the disposal of the remaining 125,000 Afterpay Limited (APT) shares on 28 August 2019 at AU\$27.73 (£15) per share. An additional realised gain arose on the trading of 205,000 APT shares, purchased on 23 March 2020 at AU\$9.71 and disposed on 25 March 2020 at AU\$15.08. Unrealised gains arose from the revaluation of the Company's investment in 10% of Clearpay Finance Limited (see note 9(ii)). These amounts are shown above.

In the period to 30 June 2019 realised gains arose on disposal of the full tranche 1 of 750,000 APT shares on 24 August 2018 and the further disposal of the first 125,000 tranche 2 shares on 27 June 2019. In the period to 30 June 2019 unrealised gains arose on revaluation of the remaining 125,000 shares in APT to a share price of AUD \$25.07 (£14) per share. These amounts are shown above.

THINKSMART EUROPE LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Intercompany debtors

	30 June 2020	30 June 2019
	£	£
Inter-company – RentSmart Limited	549,178	2,717,745
Inter-company – Thinksmart UK Limited	250,000	500,000
Inter-company – ThinkSmart Financial Services Limited	441	14,566
Inter-company – ThinkSmart Insurance Services Admin Limited	363,322	1,164,931
	<u>1,162,941</u>	<u>4,397,242</u>
	£	£
Intercompany debtors due less than one year	1,162,941	500,000
Intercompany debtors due after more than one year	-	3,897,242
	<u>1,162,941</u>	<u>4,397,242</u>

The unsecured intercompany loans have no fixed repayment date and are due on demand. The unsecured intercompany loan to Thinksmart UK is interest free. The directors of the ultimate parent company, Thinksmart Limited, have indicated that intragroup loans will not be recalled until such time that the borrower is in a position to repay the loan.

13. Loan from Thinksmart Limited

Loan from ThinkSmart Limited

ThinkSmart Limited is the parent company for ThinkSmart Europe Limited. The unsecured loan is denominated in AUD with no fixed repayment date and interest is charged monthly on the loan. Interest on the loan was charged at 5.16% (2019: 5.16%). The directors of Thinksmart Limited have indicated that the intragroup loan will not be recalled until such time that the Company is in a position to repay the loan.

	30 June 2020	30 June 2019
	£	£
ThinkSmart Limited Loan	(8,415,129)	(15,122,883)
	£	£
ThinkSmart Limited Loan due less than one year	(8,415,129)	-
ThinkSmart Limited Loan due after more than one year	-	(15,122,883)
	<u>(8,415,129)</u>	<u>(15,122,883)</u>
	£	£
Unrealised exchange gain on loans	152,170	96,218

14. Called up share capital

	30 June 2020	30 June 2019
	£	£
<i>Allotted, called up and fully paid</i>		
1,250,001 (2019: 1,250,001) ordinary authorised share at £1 (2019: £1 each)	<u>1,250,001</u>	<u>1,250,001</u>

THINKSMART EUROPE LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Ultimate parent undertaking

The Company's immediate and ultimate parent company is ThinkSmart Limited, which is incorporated in Australia. ThinkSmart Limited is the largest group in which the results of ThinkSmart Europe Limited are included. Copies of these group accounts are available to the public and may be obtained from their offices at Suite 5, 531 Hay Street, SUBIACO, WA, Australia 6008.

16. Related parties

The Company has taken advantage of the exemption under FRS 101 paragraph 8(k) 8(j) not to disclose key management personnel compensation or transactions and amounts due to and from fellow group companies that are wholly owned by the ultimate and immediate parent company, ThinkSmart Limited.

17. Events occurring after balance sheet date

In November 2019, one the of the Group companies, RentSmart Ltd (RentSmart), issued a claim against The Carphone Warehouse Ltd (part of the Dixons Carphone plc group (DC)) in respect of the Flexible Leasing contract and its predecessor Upgrade Everytime contract. The Group announced on 10 August 2020 that it had agreed a settlement in relation to these contracts of £1.45m inclusive of costs. Legal proceedings were not issued in relation to other contracts with the Dixons Carphone plc group (SmartPlan and Upgrade Anytime). As part of this settlement, RentSmart has agreed with DC to the orderly winding up of all its agreements with DC including Flexible Leasing, SmartPlan and Upgrade Anytime. The settlement does not directly impact the Company, but does affect a number of the Company's subsidiary companies where the relevant impact has been disclosed in their accounts.

There has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.