

ClearPay Finance Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2018

Company Number: 05198026



CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018

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**CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018**

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 30 June 2018.

Principal activities

The principal activities of the Company are the provision of short-term, interest free, consumer loans under the product 'ClearPay'. The loans are made to customers buying products online and at the point of sale through integration into retailer websites. The customer receives the goods from the retailer and splits the cost of the purchase over three equal instalments. The company settles with the retailer on the next business day net of the 'retailer subsidy'.

Business review

This is the first year that the company has submitted financial accounts. ClearPay Finance Limited began trading in July 2017. During the last part of the year to 30 June 2018 the Company has made good progress with the onboarding of a range of retailers from multiple sectors including fashion, jewellery, outdoor equipment and consumer technology.

In the first period of trading the Company settled £308,605 of underlying business over 1,638 contracts which led to an average transaction value of £188. The loss for the year ended 30 June 2018 of £593,210 has been transferred to reserves and there was no dividend declared during the year ended 30 June 2018.

In August 2018 ThinkSmart Europe Limited sold 90% of the Company to Afterpay Touch Group Limited. Further details are included in the notes to the financial statements under Note 11 - Events occurring after balance sheet date.

Going concern

Notwithstanding net current liabilities of £593,209 as at 30 June 2018 and a loss for the year then ended of £593,210 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. As discussed in the Directors' report, the Company is in a start-up phase and is yet to successfully launch its 'ClearPay' product. The Company will need significant additional funding from Afterpay Touch Group Limited, its ultimate shareholder (see note 10), before it is expected to become cash generative.

Afterpay Touch Group Limited has indicated its intention to continue to make available such funds as are needed by the Company for a period exceeding twelve months. 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 reasonable assurance that the Company will have sufficient funds, through funding from its parent company, Afterpay Touch Group Limited, to meet its liabilities as they fall due for that period. Consequently, the directors confirm that they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

**CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018**

REPORT OF THE DIRECTORS - CONTINUED

Directors

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

A Eisen (appointed 23 August 2018)
D Hancock (appointed 23 August 2018)
N Molnar (appointed 23 August 2018)
N Montarello (appointed 11 June 2018)
B Odes (appointed 23 August 2018)
G Halton (resigned 23 August 2018)
G Grimes (appointed 06 July 2017, resigned 03 January 2018)

Political and charitable contributions

The Company made no political or charitable donations during the year ended 30 June 2018 (2017: £nil).

Disclosure of information to the auditor

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

By order of the board



Ned Montarello
Director
7th Floor Oakland House,
Talbot Road, Old Trafford,
Manchester, M16 0PQ

Date: 14th December 2018

CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018

**STATEMENT OF DIRECTOR'S 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.

CLEARPAY FINANCE LIMITED YEAR ENDED 30 JUNE 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEARPAY FINANCE LIMITED

We have audited the financial statements of ClearPay Finance Limited for the year ended 30 June 2018 which comprise the ; Statement of total Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

**CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLEARPAY FINANCE LIMITED (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Jessica S.S. Katsouris

**Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants
St Peter's Square
Manchester
M2 3AE*

Date: 14 December 2018

CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	30 June 2018	30 June 2017
		£	£
Turnover	2	11,298	-
Gross profit		11,298	-
Administrative expenses	3	(587,059)	-
Impairment losses		(15,874)	-
Operating profit		(591,635)	-
Interest payable		(1,575)	-
Loss before tax		(593,210)	-
Tax on profit on ordinary activities	4	-	-
Loss for the financial year		(593,210)	-
Other comprehensive income net of income tax		-	-
Total comprehensive loss for the financial year		(593,210)	-

The profit for the year is derived from continuing operations.

The notes on pages 8 to 13 form an integral part of these financial statements.

CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018

STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018	30 June 2017
		£	£
Current assets			
Cash at bank & in hand		86,677	1
Loan receivable		84,386	-
		<u>171,063</u>	<u>1</u>
Non-current assets			
Intangible assets	6	1,357,203	-
Creditors: amounts falling due within one year			
Creditors		(103,077)	-
Creditors: amounts falling due after more than one year			
Intercompany creditors	7	(1,980,346)	-
Other provisions		(38,052)	-
Total non-current liabilities		<u>(2,018,398)</u>	<u>-</u>
Net assets		<u>(593,209)</u>	<u>1</u>
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account		(593,210)	-
Equity shareholders' surplus		<u>(593,209)</u>	<u>1</u>

The notes on pages 8 to 13 form an integral part of these financial statements.

The financial statements on pages 5 to 13 were approved by the board of directors on 14th December 2018 and were signed on its behalf by:



Ned Montarello (Director)
Company Number 05198026

CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018

STATEMENT OF CHANGES IN EQUITY

	Fully paid ordinary shares	Accumulated profit	Equity
	£	£	£
Balance at 1 July 2017	1	-	1
Loss for the year	-	(593,210)	(593,210)
Dividends paid	-	-	-
Other comprehensive income net of income tax	-	-	-
Total comprehensive loss for the financial year	-	(593,210)	(593,210)
Issue of Share Capital	-	-	-
Balance at 30 June 2018	<u>1</u>	<u>(593,210)</u>	<u>(593,209)</u>

The notes on pages 8 to 13 form an integral part of these financial statements.

**CLEARPAY FINANCE LIMITED
YEAR ENDED 30 JUNE 2018**

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

ClearPay Finance Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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 ultimate parent undertaking, ThinkSmart Ltd 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 Ltd 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 were authorised for issue by the Board of Directors on 18 September 2018.

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 Ltd 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 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes 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.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. 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.

CLEARPAY FINANCE LIMITED YEAR ENDED 30 JUNE 2018

1.2 Basis of preparation

Notwithstanding net current liabilities of £593,209 as at 30 June 2018 and a loss for the year then ended of £593,210 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. As discussed in the Directors' report, the Company is in a start-up phase and is yet to successfully launch its 'ClearPay' product. The Company will need significant additional funding from Afterpay Touch Group Limited, its ultimate shareholder (see note 10), before it is expected to become cash generative.

Afterpay Touch Group Limited has indicated its intention to continue to make available such funds as are needed by the Company for a period exceeding twelve months. 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 reasonable assurance that the Company will have sufficient funds, through funding from its parent company, Afterpay Touch Group Limited, to meet its liabilities as they fall due for that period. Consequently, the directors confirm that they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

1.2 Taxation

The charge for taxation is based on the loss for the year.

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents income from loan agreements and from associated services.

	30 June 2018	30 June 2017
	£	£
Retailer subsidy income	10,679	-
Fee revenue - customer	610	-
Interest revenue - other entities	9	-
	<u>11,298</u>	<u>-</u>

3. Administrative Expenses

	30 June 2018	30 June 2017
	£	£
Customer acquisition costs	292,931	-
Payments to employees	219,066	-
Professional services	2,909	-
IT & Communications	11,178	-
Amortisation	60,975	-
	<u>587,059</u>	<u>-</u>

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4. Tax on loss on ordinary activities

	30 June 2018	30 June 2017
	£	£
Amounts recognised in profit and loss		
Total tax on ordinary activities	-	-
Reconciliation of effective tax rate		
Accounting loss before tax	(593,210)	-
Tax using the UK corporation rate*	112,710	-
Losses carried forward not recognised	(8,763)	-
Group tax relief at nil consideration	(103,947)	-
Total tax on ordinary activities	-	-

Temporary differences and losses on which deferred tax not recognised at 30 June 2018 amounted to £46,118.

*The Finance Act 2015 reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 will further reduce the main rate of corporation tax to 17% from 1 April 2020. This will reduce the Company's future current tax charge accordingly.

5. Profit on ordinary activities before taxation is stated after charging

The auditor's remuneration of £10,878 (2017: £nil) is borne by RentSmart Limited.

6. Intangible Assets

	IT Development	Total
Cost		
Balance at 30 June 2017	-	-
Additions	1,418,178	1,418,178
Disposals	-	-
Balance at 30 June 2018	1,418,178	1,418,178
Accumulated Depreciation		
Balance at 30 June 2017	-	-
Depreciation expense	(60,975)	(60,975)
Impairment	-	-
Balance at 30 June 2018	(60,975)	(60,975)
Net Book Value		
At 30 June 2018	1,357,203	1,357,203
At 30 June 2017	-	-

CLEARPAY FINANCE LIMITED
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7. Intercompany creditors

	30 June 2018	30 June 2017
	£	£
RentSmart Limited Loan	1,980,346	-
	<u>1,980,346</u>	<u>-</u>

8. Called up share capital

	30 June 2018	30 June 2017
	£	£
<i>Allotted, called up and fully paid</i>		
1 (2017: 1) ordinary authorised shares of £1 (2017: £1) each	1	1
Shares classified in shareholders' funds	1	1

9. Related parties

ClearPay Finance Limited does not hold any interests in any other subsidiaries, associates, joint ventures or other significant holdings.

10. Ultimate parent undertaking

90% of the share capital of ClearPay Finance Limited is held by AfterPay Touch Group Limited. AfterPay Touch Group Limited is incorporated in Australia, with registered office at Level 6, 406 Collins Street, Melbourne VIC 3000, Australia.

At 30 June 2018 and up to 23 August 2018, 100% of the share capital of ClearPay Finance Limited was held by ThinkSmart Europe Limited, whose ultimate parent company is ThinkSmart Limited. ThinkSmart Limited is incorporated in Australia, and is the largest group in which the results of ClearPay Finance Limited are included. Copies of these group accounts are available from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia.

11. Events occurring after balance sheet date

On the 23 August 2018 the ThinkSmart Group announced that it had sold 90% of the share capital of ClearPay Finance Limited to AfterPay Touch Group Limited ("AfterPay"), a company listed on the ASX. The ThinkSmart Group sold 90% of the issued shares in ClearPay to AfterPay for 1,000,000 shares in the capital of AfterPay. The shares were valued at the transaction date at AUD \$18.55m and issued to ThinkSmart Europe Limited (TSE). An initial tranche of 750,000 shares was issued to TSE at completion on 23 August 2018 (am AEST) and a second tranche of 250,000 shares will be issued to TSE on 23 February 2019, being 6 months from completion. The first tranche of shares was subsequently sold at AUD \$20 per share for a total of AUD \$15m.

The ThinkSmart Group's subsidiary, RentSmart Limited has entered into a business separation and transitional services agreement with ClearPay to support the transaction and facilitate the transition to AfterPay. In addition, the ThinkSmart Group has indemnified AfterPay against any losses incurred by ClearPay in shutting down the existing ClearPay retailers, and AfterPay has the right to reduce the second tranche of 250,000 shares if any such shut down losses arise and have not been reimbursed by the Group prior to the issue of these shares.

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A proportion of the 10% shareholding in ClearPay retained by TSE will be made available to employees of ClearPay under an employee share ownership plan ("ESOP"). After completion, TSE will make available some of the shares in ClearPay held by it for the grant of options under the ESOP (up to 3.5% of the total share capital of ClearPay). Any such options will only be exercisable on an ultimate exit event or at such time as TSE no longer holds shares in ClearPay.

TSE also has rights of pre-emption to subscribe for shares in ClearPay in any follow on fundraise. Afterpay has an option to acquire the remaining shares held by TSE (and any shares forming part of the ESOP), exercisable any time after 5 years from Completion based on agreed valuation principles. If the option to purchase is not exercised by AfterPay within 5 years and 6 months from Completion then TSE may exercise a put option to sell the remaining shares in ClearPay held by it (and any shares forming part of the ESOP) to AfterPay at a price calculated on agreed valuation principles.