

Clearpay (International) Limited

Annual report and financial statements

Registered number 12750230

30 June 2021

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Directors' Report

The directors present their report with the financial statements of Clearpay (International) Limited (the "Company") for the period from incorporation on 17 July 2020 to 30 June 2021 and for the period then ended.

Principal Activity

The Company is a private limited company incorporated in the United Kingdom ("UK"), a directly wholly owned subsidiary of Afterpay International Holdings Pty Limited (the "Parent"), and an indirectly wholly owned subsidiary of Afterpay Limited ("Afterpay", "Ultimate Parent"), a company traded on the Australian Stock Exchange under the code "APT". On 31 January 2022, Block, Inc. ("Block"), a company traded on the New York Stock Exchange under the ticker symbol "SQ", completed the acquisition of Afterpay.

Afterpay provides technology driven payments solutions for customer and merchants that allows consumers to buy products on a 'buy now, pay later' basis. Consumers who choose to purchase products using Clearpay receive the purchased products upfront and repay the purchase price (or order value) in four equal installment payments every two weeks. Afterpay operates globally together with its direct and indirect subsidiaries (collectively, the "Afterpay Group").

The Company is a holding company for Afterpay's European subsidiaries and provides funding to these subsidiaries as necessary.

Business Review

The Company reported net operating loss of \$298,809 for the period ended 30 June 2021 that consisted primarily of unrealized foreign exchange losses. As of 30 June 2021, the Company had 0 employees. The Company had net assets of 77,274,156 and net current liabilities of \$9,652,325 as at 30 June 2021.

The Company was incorporated in July 2020. The directors believe that the Company is well placed to manage its business risks successfully and are satisfied that the Company has, and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future.

Principal risks and uncertainties

The principal risks and uncertainties relating to the Company and the industry in which it operates are consistent with those of the Ultimate Parent company, Afterpay Limited, as disclosed in the latest group financial statements. The Company monitors risks to ensure mitigation measures are put in place for those within its control.

Political donations

The Company made no political donations during the period.

Going Concern

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

The Company has available cash balances of \$5,551 and net assets of \$77,274,156 as at 30 June 2021.

The Company has not been profitable and has been dependent on the Ultimate Parent to continue to fund its operations and meet its obligations as they fall due. The directors have reasonable assurance that the Ultimate Parent will continue to provide funding to meet its liabilities as they become due.

30 June 2021

Subsequent events

The Company evaluated its 30 June 2021 financial statements for subsequent events through the date the financial statements were issued. With the exception of the completion of the Block acquisition on 31 January 2022 (whereby Block acquired Afterpay), which will result in a change to the Ultimate Parent of this Company, there are no events subsequent to the year end that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

Carl Scheible	Appointed 17 July 2020, Resigned 31 March 2021
Daniel Doherty	Appointed 17 July 2020
Sam Ellis	Appointed 17 July 2020
Rebecca Lowde	Appointed 12 April 2021, Resigned 1 February 2022

Other information

The Company has taken the small companies exemption in relation to the preparation of a strategic report.

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Directors' responsibilities

Statement of directors' responsibilities in respect of the annual 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 FRS 101 *Reduced Disclosure Framework* "FRS101", and applicable law. 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

By order of the board



Sam Ellis
Director
24 March 2022

22 Long Acre
London
WC2E 9LY

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Profit and Loss Account and Other Comprehensive Income

	Note	17 July 2020 through 30 June 2021	\$
Turnover		—	
Cost of sales		—	
Gross profit		<u>—</u>	
Administrative expenses	3	(298,809)	
Operating loss		<u>(298,809)</u>	
Interest payable		(171,857)	
Loss before taxation		<u>(470,666)</u>	
Tax credit on loss on ordinary activities	5	32,668	
Loss for the financial period		<u><u>(437,998)</u></u>	
Other comprehensive income			
Other comprehensive income for the period, net of income tax		—	
Total comprehensive loss for the period		<u><u>(437,998)</u></u>	

The accompanying notes are an integral part of these financial statements.

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Balance Sheet

at 30 June 2021

	Note	2021	2021
		\$	\$
Non-current assets			
Fixed asset investments	9		86,910,147
Deferred tax asset	6		16,334
			<u>86,926,481</u>
Current assets			
Debtors and other assets	7	16,334	
Cash and cash equivalents		<u>5,551</u>	
		<u>21,885</u>	
Creditors: amounts falling due within one year	8	<u>(9,674,210)</u>	
Net current liabilities			<u>(9,652,325)</u>
Creditors: amounts falling due after one year	8		<u>—</u>
Net assets			<u><u>77,274,156</u></u>
Capital and reserves			
Called up share capital	10		165
Capital contribution reserve	10		77,711,989
Profit and loss account			<u>(437,998)</u>
Shareholders' funds			<u><u>77,274,156</u></u>

These financial statements were approved by the board of directors on 24 March 2022 and were signed on its behalf by:



Sam Ellis

Director

Company registered number: 12750230

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

at 30 June 2021

	Called up share capital \$	Capital contributio n reserve \$	Profit and loss account \$	Total equity \$
2021				
Balance at 17 July 2020	—	—	—	—
Issue of Shares	165	—	—	165
Capital contribution from parent	—	77,711,989	—	77,711,989
Total comprehensive loss for the period	—	—	(437,998)	(437,998)
Balance at 30 June 2021	165	77,711,989	(437,998)	77,274,156

The accompanying notes are an integral part of these financial statements.

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Notes (forming part of the financial statements)

1. General information and accounting policies

General information

Clearpay (International) Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the UK and registered in England. The address of its registered office is 22 Long Acre London, United Kingdom WC2E 9LY.

Statement of compliance

These financial statements have been prepared in compliance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and the Companies Act 2006.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company's Ultimate Parent undertaking, Afterpay Limited ("Afterpay", "Ultimate Parent") includes the Company in its consolidated financial statements. The consolidated financial statements of Afterpay are prepared in accordance with International Financial Reporting Standards ("IFRS") and are available to the public and may be obtained from <https://corporate.afterpay.com/investors/asx-announcements>. As a result, the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The address of the Ultimate Parent's registered office is Level 8, Queen & Collins Tower, 376-390 Collins Street, Melbourne, VIC, Australia 3000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRS") 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.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of the compensation of Key Management Personnel;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- Related Party Transactions; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Afterpay 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 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes (continued)

Going concern

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

The Company has not been profitable and has been dependent on the Ultimate Parent to continue to fund its operations and meet its obligations as they fall due. However, the net assets of the Company means that the Company is in a position to continue its operations and meet its obligations as they become due. The financial statements do not include any adjustments relating to the recoverability and classification of recorded liabilities that might be necessary should the Company be unable to continue in existence.

While the COVID-19 pandemic continues to cause uncertainty in the global economy and restrictive measures by governments and businesses remain in place, the long-term impact to the Company's business and results of operations remain unknown. The extent to which the pandemic will further impact its financial results will depend on future developments, including, but not limited to, the duration and ultimate scope of the pandemic, the impact of variants of the disease, the availability and efficacy of vaccines, the speed at which such vaccines are administered, the likelihood of a resurgence of positive cases, further actions taken by local, state and federal governmental authorities intended to minimize the spread of the virus, and stimulus programs to provide economic and financial relief. While the COVID-19 pandemic continues to have ongoing global effects, there have been no material impacts to the results of the Company, but facts and circumstances could change and affect the results of our operations in future periods.

Foreign currency

The Company's functional and presentation currency is the Australian dollar.

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash equivalents and trade and other creditors.

Investments

Investment in subsidiary company is held at cost less accumulated impairment losses.

Debtors

Trade and other debtors are recognised initially at the transaction price, and subsequently at amortised cost less any impairment loss. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Creditors

Trade and other creditors are recognised initially at the transaction price, and subsequently at amortised cost.

Notes (continued)

Administrative expenses

Administrative expenses consist primarily of personnel costs including payroll and share-based compensation expense, professional fees, and facilities-related expenses.

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned

Income Taxes

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

2. Accounting estimates and judgments

Key sources of estimation uncertainty

There are no key assumptions concerning the future or other key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Critical accounting judgements in applying the Company's accounting policies

Significant estimates, judgments, and assumptions in these financial statements include, but are not limited to, estimates related to accruals for professional fees.

3. Expenses

	17 July 2020 through 30 June 2021
	\$
Foreign exchange losses	172,480
Other	410
	<u>172,890</u>

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Notes (continued)

4. Remuneration of directors

To the extent that directors of the Company are employed and remunerated by the Ultimate Parent or its subsidiaries ("Afterpay"), no costs have been recorded by the Company.

5. Income Taxes

Recognised in the profit and loss account

	17 July 2020 through 30 June 2021	17 July 2020 through 30 June 2021
	\$	\$
<i>Current tax</i>		
UK corporation tax credit for the period	(16,334)	
Total current tax charge/(credit)		(16,334)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(16,334)	
Total deferred tax charge/(credit)		(16,334)
Tax credit on loss on ordinary activities		(32,668)

Factors affecting the tax charge

	17 July 2020 through 30 June 2021
	\$
Loss on ordinary activities before tax	(470,666)
Current tax at 19%	(89,427)
<i>Effects of:</i>	
Non-deductible expenses	56,759
Effect of UK group relief	—
Tax credit on loss on ordinary activities	(32,668)

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Notes (continued)

6. Deferred tax assets

Deferred tax assets are attributable to the following:

Movement in deferred tax assets:

	Unrealized foreign exchange gains/losses \$	Total \$
Balance at 17 July 2020	—	—
(Charge)/credit to Income Statement	16,334	16,334
(Charge)/credit to Equity	—	—
At 30 June 2021	16,334	16,334

At 30 June 2021 the Company had no recognised tax losses carried forward.

7. Debtors and other assets

	2021 \$
Amounts owed by group undertakings	16,334
	<u>16,334</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. As at 30 June 2021, the Company had amounts owed by group undertakings of \$16,334 from Clearpay (Europe) Limited.

8. Creditors

	2021 \$
Amounts owed to group undertakings	9,674,210
	<u>9,674,210</u>

As of the year ended 30 June 2021, the Company had amounts owed to group undertakings that include \$9,674,210 to Afterpay Australia Pty Limited. The loan is unsecured, incurs an interest charge of 3.0%, has no fixed date of repayment and is repayable on demand.

Notes (continued)

9. Fixed asset investments

	2021
	\$
Balance at 17 July 2020	—
Additions	86,910,147
Balance at 30 June 2021	86,910,147
Subsidiaries	
Clearpay (Europe) Limited	86,910,147
	86,910,147

The Company owns 100% of the ordinary share capital of its subsidiary, Clearpay (Europe) Limited. Clearpay (Europe) Limited is incorporated in the UK. No dividends were paid by Clearpay (Europe) Limited during the period. The registered address of Clearpay (Europe) Limited is 22 Long Acre London, United Kingdom WC2E 9LY.

10. Called up share capital and reserves

	2021
	\$
<i>Allotted, called up and fully paid</i>	
101 Ordinary shares of €1.00 each	165
Capital contribution reserve	77,711,989

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The Company has a capital contribution reserve of \$77,711,989 which represents contributions made to the Company by Afterpay International Holdings Pty Limited, the Company's parent, for the acquisition of the Company's subsidiaries.

11. Ultimate parent company

The Company is a wholly owned subsidiary of Afterpay International Holdings Pty Limited, which is itself an indirectly wholly owned subsidiary of Afterpay Limited, which is the Ultimate Parent company and ultimate controlling party incorporated in Australia.

The largest group in which the results of the Company are consolidated is that headed by Afterpay Limited, incorporated in Australia. No other group financial statements include the results of the Company. The consolidated financial statements of this group is available to the public and may be obtained from <https://corporate.afterpay.com/investors/asx-announcements>.

12. Subsequent events

The Company evaluated its 30 June 2021 financial statements for subsequent events through the date the financial statements were issued. With the exception of the completion of the Block acquisition on 31 January 2022 (whereby Block acquired Afterpay), which will result in a change to the Ultimate Parent of this Company, there are no events subsequent to the year end that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.