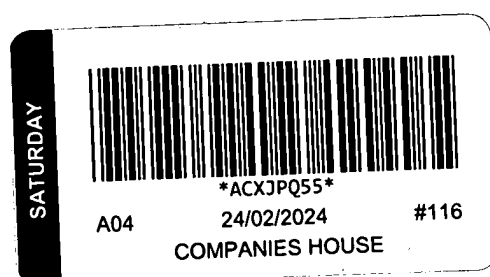


Clearpay (International) Limited
Annual report and financial statements
Registered number 12750230
18 months ended 31 December 2022



Contents

<u>Directors' report</u>	<u>3</u>
<u>Statement of directors' responsibilities in respect of the annual report and the financial statements</u>	<u>5</u>
<u>Independent Auditor's Report</u>	<u>6</u>
<u>Profit and Loss Account and Other Comprehensive Income</u>	<u>9</u>
<u>Balance Sheet</u>	<u>10</u>
<u>Statement of Changes in Equity</u>	<u>11</u>
<u>Notes</u>	<u>12</u>

Directors' Report

The directors present their report with the financial statements of Clearpay (International) Limited (the "Company" or "Clearpay") for the period of 18 months ended 31 December 2022. The Company changed its financial year end from 30 June to 31 December in order to align with its Ultimate Parent, Block, Inc.

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 ("Immediate Parent"), and an indirectly wholly owned subsidiary of Afterpay Limited ("Afterpay"). On 31 January 2022, Afterpay was acquired by Block, Inc. ("Block" or "Ultimate Parent"), a company traded on the New York Stock Exchange under the ticker symbol "SQ". Upon the acquisition of Afterpay, the Company's Ultimate Parent became Block. Block's registered office address is 1955 Broadway, Oakland, CA 94612.

The Company is a holding company for Afterpay's European subsidiaries and its principal activities are to provide funding to these subsidiaries as necessary. Funding is provided through contributions from the Parent.

Business review

The Company was incorporated on 17 July 2020. The Company reported net operating loss of \$229,933 for the period ended 31 December 2022 (2021: \$470,666) that consisted primarily of interest expense. The Company had net assets of \$256,460,095 as at 31 December 2022 (2021: \$77,274,156) and net current liabilities of \$564,110 as at 31 December 2022 (2021: \$9,674,210). The Company had zero employees for the period ended 31 December 2022.

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 as disclosed in the latest group financial statements (Item 1A. Risk Factors). 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 \$4,400 as at 31 December 2022 (2021: \$5,551) and net assets of \$256,460,095 as at 31 December 2022 (2021: \$77,274,156).

Block has provided a letter of support which provides a commitment of financial support for at least the next 12 months from the date of this report. The Company has not been profitable and has been dependent on Block to continue to fund its operations and meet its obligations as they fall due. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Subsequent events

The Company evaluated its 31 December 2022 financial statements for subsequent events through the date the financial statements were issued.

On 28 April 2023, the Company received a capital contribution from Afterpay International Holdings Pty Limited in the amount of \$33,456,005. Following the capital contribution from Afterpay International Holdings Pty Limited, the Company made a capital contribution of \$33,456,005 to its subsidiary, Clearpay (Europe) Limited.

Directors' Report (continued)

On 10 May 2023, the Company's Ultimate Parent informed its Clearpay EU employees that it was initiating consultation regarding a collective dismissal procedure. On 22 June 2023, the Company made a decision to exit and wind down Clearpay EU operations in France, Italy and Spain.

As of 31 December 2023, the Company anticipates recognising a 80 to 90 percent impairment expense to its investment in subsidiaries in 2024 as a result of the decision to exit the Clearpay EU operations.

The Company evaluated its 31 December 2022 financial statements for subsequent events through the date the financial statements were approved. There are no other events subsequent to the period end that require disclosure or adjustment to the financial statements.

Likely future developments

The directors anticipate no changes to the principal activities of the company.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

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

Richard Bayer	Appointed 30 September 2022
Victoria Azalde (US)	Appointed 28 February 2023
Sejal Norda	Appointed 22 September 2022; Resigned 3 March 2023
Anthony Eisen	Appointed 19 July 2020; Resigned 12 April 2021
Carl Scheible	Appointed 17 July 2020, Resigned 31 March 2021
Daniel Doherty	Appointed 19 July 2020; Resigned 2 September 2022
Sam Ellis	Appointed 19 July 2020; Resigned 30 September 2022
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.

Directors' interests in contracts of significance

There were no contracts of significance to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the reporting period or at any time during the period.

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 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.

Auditor

In accordance with Section 467(2) of the Companies Act 2006, the auditor, Ernst & Young, Chartered Accountants, who were appointed during the period, will continue in office.

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.

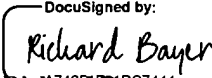
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework* "FRS101", and applicable law. Under company law the directors must not approve the 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

DocuSigned by:

Richard Bayer
Director

22 February 2024

101 New Cavendish St
London, UK W1W 6XH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEARPAY (INTERNATIONAL) LIMITED

Opinion

We have audited the financial statements of Clearpay (International) Limited for the period ended 31 December 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework (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.

Other Matter

In the prior year the company incorrectly availed of an audit exemption under section 477 of the Company's Act 2006. The company was not entitled to avail of the audit exemption as it was a subsidiary of a large group, and as such the prior period balances are unaudited.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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

The prior year accounts as at 30 June 2021 are unaudited due to taking an audit exemption. Audited accounts should have been prepared which is a breach of Company Law. 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 strategic report or 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and 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 directors' responsibilities statement set out on page 5, 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.



**Building a better
working world**

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006 in the United Kingdom.
- We understood how Clearpay (International) Limited is complying with those frameworks by making inquiries of key management, and those responsible for legal and compliance matters. We also reviewed minutes of the Board and gained an understanding of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by holding discussions with key management. We also reviewed the Company's fraud-related policies.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management and reviewing the key policies

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.

A handwritten signature in black ink, appearing to read 'Helen Kerr'.

Helen Kerr
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Dublin

Date: 22 February 2024

Profit and Loss Account and Other Comprehensive Loss

	<i>Note</i>	18 months ended 31 December 2022	17 July 2020 through 30 June 2021
		\$	\$
Foreign exchange gain/(loss)	4	154,142	(298,809)
Interest expense		(384,075)	(171,857)
Net operating loss		<u>(229,933)</u>	<u>(470,666)</u>
 Tax benefit on ordinary activities	5	 90,471	 32,668
Loss for the financial period		<u>(139,462)</u>	<u>(437,998)</u>
 Other comprehensive loss			
Other comprehensive loss for the period, net of income tax		<u>—</u>	<u>—</u>
Total comprehensive loss for the period		<u>(139,462)</u>	<u>(437,998)</u>

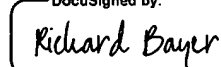
The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

	<i>Note</i>	31 December 2022	30 June 2021
			*Restated
ASSETS		\$	\$
Current assets			
Debtors and other assets	7	22,145	16,334
Cash and cash equivalents		4,400	5,551
Total current assets		<u>26,545</u>	<u>21,885</u>
Non-current assets			
Investment in subsidiaries	9	256,907,189	86,910,147
Deferred tax asset	6	90,471	16,334
Total non-current assets		<u>256,997,660</u>	<u>86,926,481</u>
Total assets		<u><u>257,024,205</u></u>	<u><u>86,948,366</u></u>
LIABILITIES			
Current liabilities			
Creditors: amounts falling due within one year	8	(564,110)	(9,674,210)
Total current liabilities		<u>(564,110)</u>	<u>(9,674,210)</u>
Net assets		<u><u>256,460,095</u></u>	<u><u>77,274,156</u></u>
Capital and reserves			
Called up share capital	10	121,244,494	77,712,154
Share premium	10	131,093,069	
Capital contribution reserve	10	4,699,992	—
Profit and loss account		(577,460)	(437,998)
Shareholders' funds		<u><u>256,460,095</u></u>	<u><u>77,274,156</u></u>

*Restated balances include the correction of errors as described in Note 11.

These financial statements were approved by the board of directors on 22 February 2024 and were signed on its behalf by:

DocuSigned by:

A74851F11DC7444...

Richard Bayer
Director

Company registered number: 12750230

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

Statement of Changes in Equity

	Called up share capital	Share premium	Capital contribution reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2021	77,712,154	—	—	(437,998)	77,274,156
Issue of shares (Note 10)	43,532,340	—	—	—	43,532,340
Capital contribution (Note 10)	—	131,093,069	—	—	131,093,069
Share-based payment charges (Note 9)	—	—	4,699,992	—	4,699,992
Total comprehensive loss for the period	—	—	—	(139,462)	(139,462)
Balance at 31 December 2022	121,244,494	131,093,069	4,699,992	(577,460)	256,460,095
Balance at 17 July 2020	—	—	—	—	—
Issue of shares (Note 10)	77,712,154	—	—	—	77,712,154
Total comprehensive loss for the period	—	—	—	(437,998)	(437,998)
Balance at 30 June 2021	77,712,154	—	—	(437,998)	77,274,156

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

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 101 New Cavendish Street, London, United Kingdom W1W 6XH. The financial statements are prepared for the 18 month period ending 31 December 2022. The Company changed its financial year end from 30 June to 31 December in order to align with its Ultimate Parent, Block, Inc.

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, Block Inc. ("Block", "Ultimate Parent") includes the Company in its consolidated financial statements. The consolidated financial statements of Block Inc. are prepared in accordance with US GAAP and are available to the public and may be obtained from <https://investors.block.xyz/overview/default.aspx>.

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 Block 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.

Correction of errors

The Company has restated the 2021 statement of financial position comparatives to account for the misrepresentation of the issuance of ordinary shares in the period ending June 2021. More information is included in Note 11.

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. Block has provided a letter of support which provides a commitment of financial support for at least the next 12 months from the date of this report.

New standards, amendments and IFRIC interpretations

The Company did not adopt any significant new accounting standards during the period.

Foreign currency

The Company's functional and presentation currency is the Australian dollar (\$). The Company concluded on the Australian dollar as its functional currency as the Company operates as an extension of the operations of its Immediate Parent and Afterpay.

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 and other comprehensive income.

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. At the end of each reporting period, the Company reviews its investment in subsidiary for indicators of impairment. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the loss within profit or loss.

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

Share-based payments

Certain qualifying employees and directors of the Company are remunerated on a long-term basis through the granting of equity awards including restricted stock awards ("RSAs") and restricted stock units ("RSUs"), collectively referred to as "restricted stock", hereinafter, in the Ultimate Parent company Block Inc. Employees are entitled to restricted stock in accordance with the Block global policy. Restricted stock granted under the 2015 plan generally vest over four years.

Restricted stock given to employees are recognised as an expense based on the fair value as of the grant date. The fair value of restricted stock is determined using the closing price of Block's common stock on each grant date. Share-based compensation expense is recorded using the accelerated method over the requisite service period.

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. Under this program, restricted stock will vest if the participant remains employed for the agreed vesting period.

Eligible employees can also participate in Block Inc.'s 2015 Employee Stock Purchase Plan (ESPP) that became effective on November 17, 2015. The ESPP allows eligible employees to purchase shares of Block's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for 12-months offering periods. Each offering period includes two purchase periods, which begin on the first trading day on or after November 15 and May 15, and ending on the last trading day on or before May 15 and November 15, respectively. Employees are able to purchase shares at 85% of the lower of the fair market value of Block's common stock on the first trading day of the offering period or the last trading day of the purchase period. The fair value of the grants under the ESPP plans is determined at the commencement date of the offering period using an option valuation model and is recognised as expense on a straight line over the respective purchase periods.

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 statement of financial position 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 statement of financial position 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. Remuneration of directors

To the extent that directors of the Company are employed and remunerated by the Ultimate Parent or its subsidiaries, no costs have been recorded by the Company. During the period, no employee was employed by the Company and there were no retirement benefits accruing to directors in respect of pension schemes.

4. Expenses

	18 months ended 31 December 2022	12 months ended 30 June 2021
	\$	\$
Foreign exchange gain/losses	(154,142)	298,809
Auditor's remuneration:		
Audit of these financial statements	55,038	—

The auditor's remuneration was borne by an affiliate.

5. Income taxes

Recognised in the profit and loss account

	18 months ended 31 December 2022	12 months ended 30 June 2021
	\$	\$
Current tax		
UK corporation tax benefit for the period	(16,334)	(16,334)
Total current tax (credit)	<u>(16,334)</u>	<u>(16,334)</u>
Deferred tax		
Deferred tax benefit	(74,137)	(16,334)
Total deferred tax (credit)	<u>(74,137)</u>	<u>(16,334)</u>
Total tax credit on ordinary activities	<u><u>(90,471)</u></u>	<u><u>(32,668)</u></u>

Factors affecting the tax (credit)/expense

	18 months ended 31 December 2022	12 months ended 30 June 2021
	\$	\$
Loss on ordinary activities before tax	(229,933)	(470,666)
Current tax at 19%	(43,688)	(89,427)
Effects of:		
Permanent differences	(46,783)	56,759
Total tax credit on ordinary activities	<u><u>(90,471)</u></u>	<u><u>(32,668)</u></u>

Notes (continued)

UK corporate income tax is levied at 19% in 2022 (2021: 19%). A blended rate of 23.5% will be applicable for 2023 and a flat-rate of 25% thereafter.

6. Deferred tax assets

Movement in deferred tax assets:

	Unrealized foreign exchange gains/ losses	Total
	\$	\$
Balance at 1 July 2021	16,334	16,334
Credit to profit & loss account	74,137	74,137
Balance at 31 December 2022	90,471	90,471
Balance at 17 July 2020	\$	\$
Credit to profit & loss account	16,334	16,334
Balance at 30 June 2021	16,334	16,334

At 31 December 2022 the Company had no recognised tax losses carried forward (2021: \$nil).

7. Debtors and other assets

	31 December 2022	30 June 2021
	\$	\$
Amounts owed by group undertakings	22,145	16,334

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. As at 31 December 2022, the Company had amounts owed by group undertakings which include \$22,145 from Clearpay (Europe) Limited. (2021: \$16,334).

8. Creditors

	31 December 2022	30 June 2021
	\$	\$
Amounts owed to group undertakings	564,110	9,674,210

As of the year ended 31 December 2022, the Company had amounts owed to group undertakings which include \$564,110 to Afterpay Australia Pty Limited (2021: \$9,674,210). 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. Investments in subsidiaries**

	31 December 2022	30 June 2021
	\$	\$
Balance at the beginning of the period	86,910,147	—
Additions	169,997,042	86,910,147
Balance at the end of the period	256,907,189	86,910,147

Subsidiaries

Clearpay (Europe) Limited	256,907,189	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. Additions in the year include \$4,699,992 of share-based compensation. The registered address of Clearpay (Europe) Limited is 101 New Cavendish St London, UK W1W 6XH. Clearpay (Europe) Limited is a holding company for Afterpay's European subsidiaries and its principal activities are to provide funding to these subsidiaries as necessary.

10. Called up share capital and reserves

	31 December 2022		30 June 2021	
<i>Allotted, called up and fully paid</i>	\$	€	\$	€
Ordinary shares of €1.00 each	121,244,494	78,000,102	77,712,154	50,000,101
Capital contribution reserve	4,699,992	—	—	—
Share premium	131,093,069	82,448,471		

The Company issued 28,000,001 (2021: 50,000,101) ordinary shares at €1 each for the period ended 31 December 2022. 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 \$4,699,992 (2021: \$nil) which represents contributions made to the Company by Afterpay International Holdings Pty Limited, the Company's Immediate Parent, for the acquisition of the Company's subsidiaries.

Notes (continued)**11. Restatement of comparatives**

In previously issued financial statements, \$77,711,989 (50,000,101 ordinary shares issued at €1 each) of called up share capital was recognised as capital contribution reserve in error. Management has made prior year adjustment in the 2022 financial statements to correct the error in line with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. \$77,711,989 has been reclassified from capital contribution reserve to called up share capital as at June 2021. This correction of prior year error has no impact on the total equity in the Statement of Changes in Equity. Additionally, it does not impact the balances presented in the Profit and Loss Account and Other Comprehensive Loss.

	Note	30 June 2021 (restated) \$	Correction of Error \$	30 June 2021 (unaudited) \$
ASSETS				
Current assets				
Debtors and other assets	7	16,334		16,334
Cash and cash equivalents		5,551		5,551
Total current assets		21,885		21,885
Non-current assets				
Investment in subsidiaries	9	86,910,147		86,910,147
Deferred tax asset	6	16,334		16,334
Total non-current assets		86,926,481		86,926,481
Total assets		86,948,366		86,948,366
LIABILITIES				
Current liabilities				
Creditors: amounts falling due within one year	8	(9,674,210)		(9,674,210)
Total current liabilities		(9,674,210)		(9,674,210)
Net assets		77,274,156		77,274,156
Capital and reserves				
Called up share capital	10	77,712,154	77,711,989	165
Capital contribution reserve	10	—	(77,711,989)	77,711,989
Profit and loss account		(437,998)		(437,998)
Shareholders' funds		77,274,156		77,274,156

Notes (continued)**12. Ultimate parent company**

The Ultimate Parent company was Afterpay prior to the acquisition of Afterpay by Block on 31 January 2022. Prior to its acquisition by Block, Afterpay was a publicly traded company on the Australian Stock Exchange under the code "APT". Block is a company traded on the New York Stock Exchange under the ticker symbol "SQ". Upon completion of the acquisition Block became the Ultimate Parent for the Company.

The Company is a directly wholly owned subsidiary of Afterpay International Holdings Pty Limited ("Immediate Parent") and an indirectly wholly owned subsidiary of Afterpay Limited ("Afterpay"). Afterpay is an indirectly wholly owned subsidiary of Block, Inc. which is the Ultimate Parent company and ultimate controlling party.

The largest group in which the results of the Company are consolidated is that headed by Block, Inc., incorporated in the USA. 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://investors.block.xyz/overview/default.aspx>.

13. Subsequent events

The Company evaluated its 31 December 2022 financial statements for subsequent events through the date the financial statements were issued.

On 28 April 2023, the Company received a capital contribution from Afterpay International Holdings Pty Limited in the amount of \$33,456,005. Following the capital contribution from Afterpay International Holdings Pty Limited, the Company made a capital contribution of \$33,456,005 to its subsidiary, Clearpay (Europe) Limited.

On 10 May 2023, the Company's Ultimate Parent informed its Clearpay EU employees that it was initiating consultation regarding a collective dismissal procedure. On 22 June 2023, the Company made a decision to exit and wind down Clearpay EU operations in France, Italy and Spain.

As of 31 December 2023, the Company anticipates recognising a 80 to 90 percent impairment expense to its investment in subsidiaries in 2024 as a result of the decision to exit the Clearpay EU operations.

The Company evaluated its 31 December 2022 financial statements for subsequent events through the date the financial statements were approved. There are no other events subsequent to the period end that require disclosure or adjustment to the financial statements.