



AFTERPAY TOUCH GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2018



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WE ARE MOVING FURTHER TOWARDS
OUR GOAL TO BE THE WORLD'S
MOST LOVED WAY TO PAY.

CHAIRMAN'S MESSAGE

Dear fellow Shareholders,

It has been another year of inspiring growth for Afterpay and a successful first year for the merged Afterpay Touch Group.

Driven by a passion and determination to empower the customer and innovate the retail economy, Afterpay has grown rapidly to become Australia's leading 'buy now, receive now, pay later' service. We are proud of the outstanding success of our product which has in many ways transformed the way people spend on what we call 'life's little essentials'. We ascribe much of this success to putting our customers' interests first by not charging interest and offering a free service for our customers if repayments are made on time. After launching Afterpay in the United States earlier this year, and currently planning our launch in to the United Kingdom market, we are moving further towards our goal to be the world's most loved way to pay.

We have created a retail community that is delivering incremental value to all key stakeholders in the retail industry. Now celebrating more than 2.3 million active customers and an annualised underlying sales run rate of over \$3.0 billion, we are now more inspired and energised than ever to expand Afterpay's application to additional verticals and geographies.

Innovation, technology leadership and data analytics are at the core of our value proposition. Our capabilities, insights and results are improving with scale and we are committed to continually building and improving our proprietary systems and intellectual property. The ability to utilise data not just to improve the profitability of our service but to enhance the value we provide to customers and retailers is driving our development efforts.

Our ability to attract talented people in Australia and the United States has been greatly strengthened through Afterpay's merger with Touchcorp at the end of the 2017 financial year and the strategic relationship with Matrix Partners, a successful technology focused United States based Venture Capital firm, in January 2018. The merger is now complete and the rationale for these relationships has been demonstrated by our pace of innovation and expansion into new geographies and vertical markets at speed.

In order to support the continued growth of Afterpay, the Group increased its funding diversification and maturity profile during the year. The existing receivables facility with NAB was increased from \$200 million in June 2017 to \$300 million as of today and a NZ\$20 million facility with ASB Bank ('ASB') was established to assist funding the Group's New Zealand operations. The Group also successfully issued 4-year senior unsecured notes to institutional and professional investors raising \$50 million. As of today, the Group has established an additional \$200 million warehouse facility with Citi. The facility supplements the existing Australian NAB facility and provides a basis for developing international banking activities.

Our customers remain at the centre of everything we do and the Group is committed to the promotion of responsible customer spending. This year we also implemented several product enhancements including the capping of late fees and external ID checks supplementing Afterpay's proprietary transaction integrity engine. We are committed to a practice of pro-active engagement with relevant government and industry stakeholders to ensure we listen, take feedback and continuously improve our processes and systems to benefit underlying consumers.

The performance of the Group during the financial year has been strong. The Group revenue and other income increased from \$29.0 million to \$142.3 million across the period, driven by significant growth in the number of retailers integrated with the Afterpay platform. By the end of the financial year, more than 16,500 retailers had integrated with the Afterpay platform. This figure has grown to over 17,700 retailers today and we see significant scope for further growth, especially with international expansion. It is pleasing that this rapid growth profile has been paired with improving underlying transaction profitability, declining customer default rates and Afterpay's ability to generate overall operating profitability.

The year saw Afterpay recognised as 'Fintech organisation of the Year' for the second consecutive year. This is a credit to the team of people working in both the previous Afterpay and Touchcorp businesses and is representative of what we can achieve as a combined Group.

I look forward to another exciting year ahead as we continue to build our base in new markets and maintain our core mission to become the world's most loved way to pay.

I would like, once again, to thank Michael Jefferies for his unique and invaluable contribution over many years. Mike was the long-serving Chairman of Touchcorp and stepped into an Executive role following the tragic passing of Touchcorp's Managing Director, Adrian Cleeve, in late 2016. Michael Jefferies had been an outstanding director and worked tirelessly for the benefits of all shareholders and staff. His contribution to his fellow directors and the personal support that he has provided to a great many members of the Afterpay Touch team has been immense.

I would like to thank the Board and entire Afterpay Touch team for their efforts and contribution to date, steadfast loyalty and amazing support during the year. I would also like to thank our shareholders, customers, retail partners and everyone who uses our products for their strong support and contributing to the Group's success.

Anthony Eisen
Executive Chairman



DIRECTORS' REPORT

The Directors submit their report on the consolidated entity consisting of Afterpay Touch Group Limited and the entities it controlled (Group) at the end of, or during the year ended, 30 June 2018.

DIRECTORS

The names and details of the Group's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire financial year unless otherwise stated.

Anthony Eisen	EXECUTIVE CHAIRMAN
David Hancock	EXECUTIVE DIRECTOR AND AFTERPAY TOUCH GROUP HEAD
Nicholas Molnar	EXECUTIVE DIRECTOR AND CEO OF AFTERPAY
Clifford Rosenberg	INDEPENDENT NON-EXECUTIVE DIRECTOR
Elana Rubin	INDEPENDENT NON-EXECUTIVE DIRECTOR
Dana Stalder	INDEPENDENT NON-EXECUTIVE DIRECTOR (APPOINTED 24 JANUARY 2018)
Michael Jefferies	INDEPENDENT NON-EXECUTIVE DIRECTOR (RESIGNED 16 JANUARY 2018)

INFORMATION ON DIRECTORS

ANTHONY EISEN EXECUTIVE CHAIRMAN

Anthony was appointed an Executive Director of Afterpay Touch Group on 5 July 2017. Anthony has over 20 years' experience in investing, public company directorships and providing corporate advice across a variety of sectors. Prior to co-founding Afterpay, he was the Chief Investment Officer at Guinness Peat Group (GPG). He was actively involved in a number of financial services, software and technology companies in which GPG was a major shareholder. Before joining GPG, Anthony was involved in investment banking, specialising in mergers and acquisitions. He is currently also a Director of Foundation Life (N.Z) Limited.

INTERESTS IN SHARES AND OPTIONS

22,500,000 ordinary shares.
1,500,000 unlisted options issued under the Company's Employee Option Plan, with an exercise price of \$1.00 per option and an expiry date of 31 December 2020.

DAVID HANCOCK EXECUTIVE DIRECTOR AND GROUP HEAD

David was appointed an Independent Non-Executive Director of Afterpay Touch Group on 30 March 2017. On 5 July 2017, David was appointed Group Head of the Company.

David has over 25 years of broad experience in financial services and has held a variety of roles in capital markets, fixed income and equities. David has served on a number of boards including as a previous Director of Tower Insurance Limited and Elmo Software Limited. David is currently a Non-Executive Director of Freedom Insurance Group Limited.

INTERESTS IN SHARES AND OPTIONS

1,900,000 ordinary shares.
200,000 unlisted options issued under the Company's Employee Option Plan, with an exercise price of \$1.00 per option and an expiry date of 31 December 2020.
2,000,000 Loan Shares with an exercise price of \$2.70 per option and an expiry date of 1 September 2022, subject to shareholder approval.

NICHOLAS MOLNAR

EXECUTIVE DIRECTOR AND CEO OF AFTERPAY

Nicholas was appointed an Executive Director of Afterpay Touch Group on 5 July 2017. Nicholas has extensive experience in online retail. Prior to co-founding Afterpay, Nicholas launched the leading American online jeweller, Ice.com, into Australia under the local brand Iceonline.com.au. Nicholas successfully grew Ice in Australia to become the largest online-only jewellery and watch retailer. Prior to launching Ice, Nicholas was an Investment Analyst at venture capital fund M. H. Carnegie & Co., where he was primarily responsible for growth stage investment opportunities in the technology sector. Nicholas holds a Bachelor of Commerce from Sydney University.

INTERESTS IN SHARES AND OPTIONS

22,500,000 ordinary shares.
1,500,000 unlisted options issued under the Company's Employee Option Plan, with an exercise price of \$1.00 per option and an expiry date of 31 December 2020.

MICHAEL JEFFERIESINDEPENDENT NON-EXECUTIVE DIRECTOR
(RESIGNED 16 JANUARY 2018)

Michael was appointed a Non-Executive Director of Afterpay Touch Group on 5 July 2017. Michael is a chartered accountant with extensive experience in finance and investment including more than 20 years as an executive of Guinness Peat Group plc, an international investment group listed on the major stock exchanges in London, Australia and New Zealand.

In addition to his role with the Company, he is also the Non-Executive Chairman of Pantoro Limited, a Non-Executive Director of Homeloans Limited and OZgrowth Limited and has previously been a Director of a number of listed public companies in Australia and New Zealand including ClearView Wealth Limited, Tower Australia Limited, Metals X Limited and Tower Limited (New Zealand). Michael has over 30 years of public company and finance experience.

INTERESTS IN SHARES AND OPTIONS

4,323,226 ordinary shares.
200,000 unlisted options issued under the entity's Employee Option Plan, with an exercise price of \$1.00 per option and an expiry date of 31 December 2020.

CLIFFORD ROSENBERG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Clifford was appointed an Independent Non-Executive Director of Afterpay Touch Group on 30 March 2017. Clifford has spent more than 20 years working at digital companies leading innovation and change in the industry both as an entrepreneur and senior executive. Clifford was a senior executive at LinkedIn for six and a half years and until recently serving as the Managing Director of LinkedIn for South East Asia, Australia and New Zealand. Prior to LinkedIn, Clifford was Managing Director at Yahoo Australia and New Zealand, and previously the founder and Managing Director of iTouch Australia and New Zealand, one of the biggest mobile content and application service providers in Australia. Prior to iTouch Clifford was the Head of Strategy for Vodafone Australasia.

Clifford is also a Non-Executive Director of ASX listed companies Nearmap Ltd, Pureprofile Ltd, Cabcharge Australia Limited and IXUP Limited. Clifford has a Bachelor of Business Science (Honours) degree and a Master of Science in Management.

INTERESTS IN SHARES AND OPTIONS

800,000 ordinary shares.
700,000 unlisted options issued under the Company's Employee Option Plan, with an exercise price of \$0.20 per option and an expiry date of 1 September 2020.
200,000 unlisted options issued under the Company's Employee Option Plan, with an exercise price of \$1.00 per option and an expiry date of 31 December 2020.

ELANA RUBIN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Elana was appointed an Independent Non-Executive Director of Afterpay Touch Group on 30 March 2017. Elana has been a longstanding Director of a number of public and private companies, with extensive experience in property, insurance and financial services. Elana is currently a Non-Executive Director of Mirvac Limited, Slater and Gordon Limited and a number of unlisted companies and government agencies.

Elana was previously a Non-Executive Director of Touchcorp, TAL Life and Bravura Solutions, and was the former Chair of AustralianSuper and the Victorian WorkCover Authority. Elana has over 20 years' experience as a Non-Executive Director.

INTERESTS IN SHARES AND OPTIONS

56,567 ordinary shares.

DANA STALDER

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dana was appointed an Independent Non-Executive Director of Afterpay Touch Group on 24 January 2018. Since 2008, Dana has been a General Partner at Matrix Partners, a venture capital firm based in the United States.

Dana has over 20 years of experience across multiple disciplines including finance, technology product management, and sales and marketing in technology companies, including Paypal, eBay and Netscape.

Dana has served on the board of directors of Zendesk, Inc, a publicly held cloud based software application company, since November 2010, and currently serves on the board of directors of several privately-held technology companies.

INTERESTS IN SHARES AND OPTIONS

Nil interests in shares and options. Matrix Partners X, L.P. and Weston & Co. C LCC, where Dana is a General Partner, hold 2,717,394 shares and 163,032 shares, respectively.

SOPHIE KARZIS (B. JURIS, LLB)

COMPANY SECRETARY

Sophie is a practicing lawyer with over 15 years' experience as a corporate and commercial lawyer, and Company Secretary and General Counsel for a number of private and public companies. Sophie is the principal of Boardroom Limited, a corporate law practice with a focus on equity capital markets, mergers and acquisitions, corporate governance for ASX-listed entities, as well as the more general aspects of corporate and commercial law. Sophie is the Company Secretary of a number of ASX-listed and unlisted entities, and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.

INTERESTS IN SHARES AND OPTIONS

23,305 ordinary shares.

MEETINGS OF DIRECTORS

The number of meetings of the Group Board of Directors and of each Board committee held during the year and the number of meetings attended by each Director or their alternate were as follows:

MEETINGS OF DIRECTORS	BOARD OF DIRECTORS MEETINGS		AUDIT, RISK & COMPLIANCE COMMITTEE MEETINGS		REMUNERATION AND NOMINATION COMMITTEE MEETINGS	
	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
Anthony Eisen	11	10	14	14	1	1
David Hancock	12	12	1	1	1	1
Nicholas Molnar	11	11	1	1	1	1
Cliff Rosenberg	12	12	4	4	3	3
Elana Rubin	12	12	4	4	3	3
Dana Stalder ³	5	3	1	1	1	1
Michael Jefferies ²	6	6	2	2	1	1

1 Denotes that the Director is not a member of the relevant committee.

2 Michael Jefferies resigned from the Board on 16 January 2018

3 Dana Stalder was appointed to the Board on 24 January 2018

4 Anthony Eisen was a member of the Audit, Risk and Compliance Committee from 13 February 2018 to 30 June 2018.

COMMITTEE MEMBERSHIP

As at the date of this report, the Group has an Audit, Risk and Compliance Committee and a Remuneration and Nomination Committee of the Board of Directors. The members of each committee are as follows:

AUDIT AND RISK COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
Elana Rubin CHAIR	Clifford Rosenberg CHAIR
Cliff Rosenberg	Elana Rubin
Dana Stalder APPOINTED 1 JULY 2018	Michael Jefferies RESIGNED 16 JANUARY 2018
Anthony Eisen APPOINTED 13 FEBRUARY 2018, RESIGNED 30 JUNE 2018	
Michael Jefferies RESIGNED 16 JANUARY 2018	

PRINCIPAL ACTIVITIES

Afterpay Touch Group is a multinational technology driven payments company. The Group operates a Pay Later business, being Afterpay, and a Pay Now business, being Touchcorp. Afterpay is a significant driver of retail innovation in the markets it operates. Touchcorp is an innovative digital payments business servicing major consumer facing organisations in the telecommunication, health and convenience retail sectors.

PAY LATER

Pay Later provides a customer centric, omni channel retail service that facilitates commerce between retail merchants and their end-customers. Afterpay delivers its services through a proprietary platform that allows retail merchants to offer customers the ability to buy products on a 'buy now, receive now, pay later' basis with an easy and non-invasive application process, and at no additional cost to the end-customer. Unlike traditional credit services, the customers do not have to:

- Apply for or enter into a traditional loan;
- Pay any additional amount (by way of interest or upfront fees to Afterpay) for the merchant's products as long as repayments are made on time; or
- Complete cumbersome physical paperwork that cause delays or a failure to complete a purchase.

Instalment payment terms are presented to customers for a maximum of 56 days. The customer usually repays the purchase value to Afterpay in four equal, fortnightly instalments. Retail merchants benefit from providing Afterpay to their customers because:

- Customers are often more inclined to make a purchase or increase the value of their purchase because of the budgeting flexibility Afterpay offers; and
- Afterpay pays the retail merchant upfront and assumes all customer non-payment risks.

The Pay Later business currently operates in Australia, New Zealand and the United States.



PAY NOW

The Pay Now business includes three divisions: Mobility, Health and E-Services. Each of these divisions provides services using the proprietary Touch System Platform. This Platform enables consumers to quickly and simply purchase products in-store, via secure self-service methods, across mobile applications, web sites, interactive voice recognition ("IVR") systems and a variety of other methods.

The underlying technology and processes employed by the Pay Now business are designed to minimise friction for merchant retailers and enhance the shopping experience for consumers. This allows for the seamless purchase of goods and services without unnecessary processes while having confidence in the reliability of transaction services.

The Pay Now business also provides customers with performance and cost advantages through sophisticated fraud management capabilities. This provides relevant merchant retailers with the capacity to maximise transaction acceptance while minimising the cost of fraud. In some cases, the Pay Now business accepts fraud risk for merchant retailers.

OPERATIONS AND ACTIVITIES

BACKGROUND TO RESULTS

In reviewing the results of the Group, it is important to understand that the year ended 30 June 2018 is the first full year of results showing the performance and cash flows of the combined business post the Merger.

As the Merger became legally effective on 28 June 2017 upon implementation of the Afterpay Scheme and the Touchcorp Scheme, the Merger was reflected in the Group's statement of financial position only as if the acquisition of Touchcorp by Afterpay occurred on 30 June 2017. The statement of financial performance and cash flow only shows the Afterpay Group for the 12 months ended on 30 June 2017.

The Group results are reported under Australian Accounting Standards ("AAS"). Compliance with AAS also results in compliance with International Financial Reporting Standards ("IFRS"). This report also includes certain non-IFRS financial

information, including Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Earnings Before Tax, Depreciation and Amortisation (EBTDA), Net Transaction Loss (NTL) and Net Transaction Margin (NTM).

These measures are used internally by Management to assess the performance of the business and make decisions on the allocation of resources and are included in this report to provide greater understanding of the underlying financial performance of the Group's operations. When reviewing business performance, this non-IFRS information should be used in addition to, and not as a replacement for, measures prepared in accordance with IFRS. The non-IFRS information has not been subject to audit or review by the Group's external auditor.

FINANCIAL RESULTS

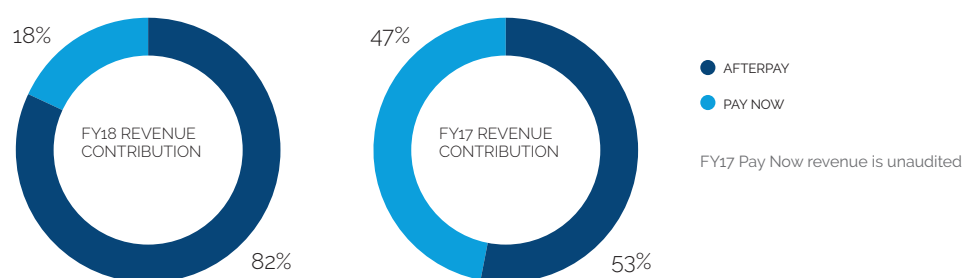
The Group financial snap shot which summarises key financial and operating metrics is set out below:

FINANCIAL SNAP SHOT	AFTERPAY TOUCH	AFTERPAY	NET CHANGE	
	FY18	FY17	\$	%
AS\$'000 (UNLESS OTHERWISE STATED)				
Group - key financial metrics				
Revenue and other Income	142,345	29,026	113,319	390%
Afterpay	116,774	29,026	87,748	302%
Pay Now	25,571	-	N/A	N/A
EBITDA, FX, share-based payments, one-off items	33,768	5,950	27,818	468%
EBTDA, FX, share-based payments, one-off items	27,682	5,770	21,912	380%
EBTDA	9,743	(11,714)	21,457	183%
Net Profit/(Loss) after tax - statutory	(8,976)	(9,620)	644	7%
Afterpay - key operating metrics				
Underlying merchant sales (\$m)	2,185	561	1,624	289%
Merchant revenue % ¹	4.0%	4.1%	N/A	N/A
Net transaction loss (NTL) % ¹	(0.4)%	(0.6)%	N/A	N/A
Net transaction margin (NTM) % ¹	2.6%	2.5%	N/A	N/A
Total active customers (m) - current ²	2.3	0.8	1.5	176%
Number of merchants ('000) - current ²	17.7	6.0	11.7	195%
1. % of underlying sales 2. FY18 metrics as at 31 July 2018.				

The statutory performance of the Group for the year ended 30 June 2018 is summarised in the table below:

STATUTORY FINANCIAL SUMMARY	CONSOLIDATED		AFTERPAY	
	2018	2017	NET CHANGE	
	\$'000	\$'000	\$'000	%
Revenue from ordinary activities	113,899	22,906	90,993	397%
Cost of sales	(28,210)	(5,263)	(22,947)	436%
Gross profit	85,689	17,643	68,046	386%
Other income	28,446	6,120	22,326	365%
Net finance expense	(6,086)	(180)	(5,906)	3281%
Operating expenses	(80,367)	(17,813)	(62,554)	351%
EBTDA, FX, share-based payments, one-off items	27,682	5,770	21,912	380%
Share-based payments (non-cash)	(16,374)	(1,838)	(14,536)	791%
One-off costs	(2,960)	(2,051)	(909)	44%
EBTDA (excluding FX, Touchcorp customer development contract)	8,348	1,881	6,467	344%
Foreign currency gains	1,395	-	1,395	N/A
Depreciation and amortisation	(17,329)	(2,708)	(14,621)	540%
Touchcorp customer development contract	-	(13,596)	13,596	N/A
Loss before tax	(7,586)	(14,423)	6,837	47%
Income tax (expense)/benefit	(1,390)	4,803	(6,193)	(129%)
Loss for the year	(8,976)	(9,620)	644	7%

REVENUE CONTRIBUTION BY SEGMENT



The 2018 financial year has seen the continued strong growth of Afterpay with international expansion, higher in-store transactions, new merchant integrations and greater brand awareness. The substantial change in Group performance also reflects the success of the Merger with the current year being the first full year period of Group performance. As detailed in past reports including the scheme booklet, the Group intends to streamline the Pay Now business and a review of the European E-services business is in progress.

The Group recorded an increase of earnings before tax, depreciation and amortisation, foreign currency translation, share-based payments (non-cash) and one-off items from \$5.8m to \$27.7m or 380%. The increase is primarily due to the strong growth in revenue derived from the increase in numbers of merchants and customers using Afterpay and the first-year combination of the Pay Now business. This is partially offset by the increase in finance costs and operating expenses to support business growth.

The Pay Later business has experienced strong growth during the year with underlying merchant sales increasing from \$561m to \$2.18bn for the twelve-months of 30 June 2017 and 30 June 2018, respectively. This represents a sales growth of 288.6% year on year. Integrated merchants continued to grow strongly up by 176.7% from 6,000 merchants reported at 30 June 2017 to approximately 16,600 current live merchants at 30 June 2018. The Afterpay customer base continues to grow with approximately 2.2m unique registered end-customers and more than 92% of customers are active and returning customers. The average customer purchases increased from \$0.7k for the 2017 financial year to \$1.1k for the 2018 financial year. The growth in the Afterpay brand contributed to \$88.3m of the \$113.9m revenue from ordinary activities, with Pay Now contributing the remaining \$25.6m.

Financing costs reflect interest expense, financing facility expenditure, costs associated to extend funding facilities and the new senior debt issuance. The funding is to support the growth in the receivables platform and international expansion.

The change in operating expenses reflects an increase in employee costs as the team scales, costs to support the global expansion of the business and growth within Australia. The increase in employee costs reflects both the first year that all Afterpay and Touch employees are consolidated within the same Group and an increase in headcount to support growth. There is also an increase in provisioning for losses as a direct result of the growth of the Afterpay receivables balances.

The management of risk continues to be the Group's priority and this was reflected in the NTL improving as a percentage of underlying merchant sales, despite the increased underlying sales performance and merchant diversification in the 2018 financial year. The Group's receivables impairment expense remains low compared to industry standards which is primarily due to a number of prudent procedures such as credit and ID checks, proprietary fraud and repayment capacity checks, the requirement that the first repayment is made immediately for new customers, low limits until a regular on-time repayment record is established (and capped on a continuing basis), and customers unable to use Afterpay if outstanding balances remain unpaid.

The Group reports a statutory pre and post-tax loss of \$7.6m and \$9.0m, respectively, for the year ended 30 June 2018. The overall statutory profitability of the Group was materially impacted by the one-off share-based payments expense (non-cash) associated with the new Group Head and one-off expenditure incurred during the period related to international expansion, Merger finalisation and additional funding establishment costs.

Share ownership is an important element of the remuneration for executives. This aligns the interests of employees with those of the shareholders. The share-based payments expense is \$16.4m (non-cash) for the year ended 30 June 2018. This has been driven primarily through the issuance of share-based payment incentives to international and local senior executives, as well as the result of the fair value of shares to be issued to the Group Head which is still subject to shareholder approval. An estimate of the value of the share issue to the Group Head has been included pending this approval.

One-off costs \$3.0m relate to international expansion of \$1.2m, post-merger related integration expense of \$1.7m and facility establishment and amending fees of \$0.1m.

The balance sheet of the Group remains strong with positive Net assets of \$183.6m at 30 June 2018 compared to \$160.1m as at 30 June 2017. The growth in Current assets of \$156.8m is primarily driven through the growth related increase in net receivables of \$140.7m, primarily derived from the Afterpay business. Current liabilities of the Group have risen through business, employee and merchant growth, with the timing of merchant settlements associated with 30 June 2018 being a Saturday impacting the closing balance. The increase in Non-current liabilities of \$113.5m at 30 June 2018 is primarily due to draw downs under the NAB facility and the issuance of senior unsecured debt of \$50m, to assist the Group's expansion of the Afterpay product locally and internationally.


The Group has maintained strong underlying operating cash flows, thanks to the material increase in underlying merchant sales and corresponding repayments from customers. This is also reflective of the first year of consolidated group presentation. Underlying operating cash flows for the business remain robust adjusted for the increase in receivables associated with the growth of the Afterpay product. Excluding the impacts of receivable settlements, operating cash flows for the period were \$35.4m. Receipts from customers increased from \$440.9m to \$2.2b, while payments to merchants increased from \$516.1m to \$2.3b. Given the deferred nature of the customer payments for each outgoing settlement and strong month on month growth in sales, net cash flows used for operating activities continues to be supported by financing cash flows. Key financing cash flow movements during the period relate to proceeds through the issuance of unsecured debt notes as well as further draw downs and repayment of the NAB funding facility.

FUNDING

The Group continues to remain conservatively leveraged with significant headroom in its existing facilities supported by a large and growing receivables balance. The Group's funding facility with NAB increased from \$200m in June 2017 to \$350m in November 2017, remaining at \$350m at 30 June 2018. At the balance sheet date, the Group had a drawn balance of \$111.6m, with \$238.4m undrawn. The facility is secured against Afterpay Australia's receivable balance. The Group also holds a NZ\$20m facility available with ASB to assist funding the Group's New Zealand operations, as at balance date there were no draw downs on this facility.

Further to the above the Group has increased its funding diversification and tenor to the Group's debt maturity profile through the issuance of 4-year senior unsecured notes to institutional and professional investors. The notes were successfully issued on 18 April 2018 raising \$50m. Funds raised were utilised for general working capital purposes and planned geographical expansion.



A woman with long dark hair, wearing a blue floral off-the-shoulder top and light blue jeans, stands in front of a vibrant, multi-colored brick wall. She is holding a cluster of balloons. The balloons include a large ice cream cone with white, brown, and red swirls and sprinkles, a slice of watermelon with pink flesh and green rind, a yellow emoji with a wide smile and tongue sticking out, and a yellow emoji with a wide smile and a pink heart on its cheek. There are also smaller silver and pink balloons. The overall scene is bright and celebratory.

THE PERFORMANCE
OF THE GROUP
DURING THE
FINANCIAL YEAR HAS
BEEN STRONG. THE
GROUP REVENUE
AND OTHER INCOME
INCREASED FROM
\$29.0 MILLION TO
\$142.3 MILLION.

BUSINESS UPDATE

PAY LATER

This year was a year of significant growth for the Afterpay business both within Australia and internationally. This is reflected in key business metrics including:

- Underlying sales of \$2.18bn were realised during the year against \$561m in the 2017 financial year. The Group continues to investigate new opportunities to expand the Afterpay product offering with the onboarding of merchants in Health, Beauty, Entertainment and Travel such as Primary Dental, Dreamworld and Jetstar. This will remain a focus of the Group during the next financial period; and
- The increase in underlying sales was achieved through the onboarding of new merchants with approximately 16,600 live merchants as at 30 June 2018 (up from 6,000 as reported for 30 June 2017) and strong growth in customer numbers.

A key Group strategy in the financial year has been the expansion of the Afterpay product In-store with significant growth of integrated shopfronts achieved during the period. The Group has also achieved success in its international expansion with several marquee merchants onboarded in the United States along with the establishment of an experienced team.

A continual focus of the Group is customer advocacy and the promotion of responsible customer spending. Significant investment has been made on a number of Afterpay product enhancements. Key product enhancements include the introduction of external ID checks supplementing Afterpay's proprietary transaction engine, as well as the introduction of late fee capping at 25% of the purchase value (maximum fee \$68 per order).

Market and industry support of the Afterpay brand continues to grow evidenced by the Group being awarded 'Fintech organisation of the year'

for the second consecutive year. The Group was also recognised by its industry peers as 'Payments innovator of the year' and as the recipient of the 'Fintech business excellence' award at the Australian FinTech Awards. The Group also achieved a public market milestone during the period joining the ASX200 Index.

N.Z. OPERATIONS

During the first half, the Group expanded markets outside Australia with the successful launch of the Afterpay product offering in New Zealand. While New Zealand is a relatively small retail market compared to Australia, Afterpay is pleased with the progress made during the period and since inception (approximately nine months). Afterpay is signing up the largest retailers and most well-loved brands in New Zealand, including Glassons, Hallensteins and Icebreaker. Afterpay is also continuing to expand its Australian retail base to New Zealand. New Zealand customer numbers are consistently growing in line with our retail footprint expansion.

U.S. OPERATIONS

The Group's U.S. operations commenced in mid May 2018. For the period of less than two months of operations, there were more than 120 U.S. merchants and 50k customers utilising the Afterpay platform. The Group is positioning the U.S. business for scale through key personnel hires and continues to achieve strong momentum onboarding new merchants and growing the U.S. customer base.

PAY NOW

Following the successful merger of the Group entities, there are a number of opportunities for complementary product development between Pay Now and Pay Later product suites. The Group will focus on developing proprietary, profitable, transaction based products that are scalable in their markets and add to the transaction integrity and data capabilities of the combined Group. The Group is undertaking a strategic review of the Pay Now business to ensure that all its activities are compatible within the Group's growth strategy.

REVENUE MODEL

PAY LATER

Afterpay generates its revenue primarily from transaction fees paid by its retail merchant clients (Merchant Fees) in relation to underlying Afterpay sales.

Merchant Fees are paid to Afterpay on each approved order placed by a customer through the Afterpay system. Merchant Fees are predominantly based on a percentage of the customer order value plus a fixed per transaction fee. Merchant Fees represented approximately 75.6% of Afterpay's income for the twelve-month period ending 30 June 2018, with the remaining 24.4% principally comprised of late fees charged to customers who do not make their agreed instalment payments on time. Afterpay is focused on consistently reducing the percentage of revenue represented by late fees through continuous improvement of its platform and risk assessment tools.

The increase in Merchant Fees during the financial year was driven by the growth in the number of merchants that provide the Afterpay service to their customers as well as an increase in the proportion of customers that choose to use Afterpay as a method of online payment with participating merchants. Seasonality will also impact Afterpay transaction revenue in any given period, which is a function of consumer buying patterns at different times of the calendar year.

Afterpay employs capital to fund the period between paying its retail merchant clients upfront and the time it takes to recoup full payment from the customer. Afterpay aims to fully recoup the value of any discrete transaction within a maximum of 56 days. Afterpay's business model aims to recycle capital efficiently and to drive higher transaction volumes per dollar of capital employed. The average weighted duration to recoup customer payments during the 12 months ended 30 June 2018 was less than 30 days.

PAY NOW

Pay Now generates revenue from four main sources:

- Transaction fees for the delivery of completed transactions;

- Integration fees for the connection of new customers to the Touch System Platform;
- Integration fees for granting existing customers access to additional service models; and
- Infrastructure fees for providing a bespoke Touch platform.

Transaction fees are calculated as either a percentage of the transaction volume (in the mobility business) or as a fixed transaction fee (in the retail e-services business). Pay Now also generates additional revenue from marketing and advertising services, mostly through the sale of advertising space in the Touch magazine, and providing other direct and indirect communications to merchant retailers and consumers.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial period, other than the Group restructure which was affected through the Merger as noted in this report.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

CLEARPAY

Subsequent to 30 June 2018, the Group entered into a Share Purchase Agreement (SPA) to acquire ClearPay Finance Limited (ClearPay), an entity 100% owned by ThinkSmart Limited (ThinkSmart). ClearPay is a U.K. based payments company through which customers can purchase items up to £450 in value and make repayments in three interest-free monthly instalments. The acquisition completed on 23 August 2018, however ThinkSmart will continue to operate the business for a period of approximately 90 days from the completion date.

Under the SPA, the Group will acquire 90% of the issued shares in ClearPay for total consideration of 1m APT shares. The Group also has an option to acquire the remaining shares held by ThinkSmart, exercisable any time after 5 years from completion based on agreed valuation principles. The consideration for the remaining 10% can either be paid in cash or APT shares.

CAPITAL MANAGEMENT

The receivables financing facility limit provided by NAB was reduced from \$350m to \$300m on 15 August 2018 to reflect the cash proceeds from the \$50m senior unsecured notes issued by the Group in April 2018.

On 22 August 2018, the Group incorporated Citi as an additional lender into the existing NAB Australian warehouse receivables facility, providing an additional \$200m of funding capacity. This increased the total facility limit to fund Australian originated receivables to \$500m.

The Group is undertaking a fully underwritten Institutional Placement to eligible investors, to raise at least \$108.1m to fund Afterpay's international expansion strategy.

Pricing will be determined via an institutional bookbuild, with an underwritten floor price of \$15.75 per share. The underwritten floor price represents a 9.9% discount to the 5 day VWAP to close of trade on 22 August 2018. New shares issued under the Placement will rank equally with the Group's existing shares.

Other than noted above, no other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group believes there is significant scope to increase revenue and profitability from its business strategy. The Group's focus is to deliver long-term returns, strong revenue growth and profitability to shareholders, by increasing the number of underlying Afterpay sales and Afterpay merchant fees. The Group is also focused on optimising the performance of the Pay Now business lines. Optimisation reviews are currently underway and this may result in a rationalisation of product lines or areas of focus. Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it to be commercial in confidence and therefore likely to result in unreasonable prejudice to the Group.

KEY RISKS AND BUSINESS CHALLENGES

The Group continues to establish its presence in the Australian, New Zealand and the United States markets. The Group's ability to profitably scale its business is reliant on increases in transaction volumes and increases in its customer and retail merchant client base.

In particular, the Afterpay product has a competitive advantage in being one of the first to provide its style of service to the Australian, New Zealand and the United States retail markets. However, there is always a risk of new entrants in the market which may disrupt the business and its market share.

The principal risks and business challenges for the Pay Later operations are:

- Ability to attract new talent and retain existing key employees in the highly competitive technology sector;
- Ability to retain and grow Afterpay's retail merchant client base;
- Ability to retain and grow Pay Later customers in Australia and overseas;
- Risks associated with the emergence of new technologies and customer requirements;
- Success of international expansion;
- Maintaining and optimising its systems and processes to make accurate real time fraud and repayment capability assessments in connection with the customer approval processes;
- The possible requirement for additional funding to support the expected growth in instalment payments receivables;
- Changes to the regulatory environment that may impact the Group's products and their delivery.

In order to manage these challenges, the Group has strengthened its business development resources and processes, continues to invest in improving its transaction integrity engine, and continues to invest in expanding its service offering.

For the Pay Now business line, the Group continues to explore opportunities for product development complementary to the Pay Later product. In particular, the business is focused on the development of proprietary, profitable, transaction based products that are scalable in their markets and further add to the transaction integrity and data capabilities of the combined group and will not

devote resources to new activities that do not further those objectives. The Group is continuing to undertake a strategic review of all business lines to ensure that all Pay Now activities remain appropriately focused.

The principal risks and business challenges for the Pay Now operations are:

- Large, single counter-party contracts and revenue streams;
- Lengthy tender and decision-making processes for the large retailers, financial institutions and government authorities;
- Risks associated with the emergence of new technologies and customer requirements.

In order to manage these challenges, the Group aims to have a balanced portfolio of products and services, across an increasing range of industry verticals.

There is a risk for both the Pay Later and Pay Now operations that additional Government or other regulation might delay or prevent the Group from growing across other jurisdictions and there is the risk of a decline in economic activity levels resulting in the Group's existing customers processing fewer transactions resulting in decreased revenue. These factors may affect the Group's ability to accurately forecast the timing and quantum of both new and on-going business.

SUSTAINABILITY

The Group endeavours to operate our business in ways that produce social, economic and environmental benefits for the communities we serve in Australia, New Zealand and the United States. As a successful public company, we understand that long-term future success depends upon continuously improving our reputation and enhancing employee morale. We pay attention to the expectations of our employees and stakeholders, while respecting and serving our communities as best we can.

The Group has a small environmental footprint and as such our largest impacts come from our travel, energy and consumables. We take steps to improve our environmental impact through office based initiatives carried out by our operations and facilities teams. We are also proud to partner with like minded charities to

assist in addressing the social and environmental issues important to our people and our customers.

The Group Head is responsible for reporting to the Board on any environmental and regulatory issues at each Directors meeting, if required.

There are no matters that the Board considers need to be included in this report. The Group is not subject to the reporting requirements of either the Energy Efficiency Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007.

SHARE OPTION PLAN

UNISSUED SHARES

As at the date of this report there were 31,906,116 (including 2m Loan Shares to Group Head, which are pending shareholders approval) ordinary shares under options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Group or any related body corporate.

Details of the option plan are disclosed in Note 13 to the Financial Statements.

DEEDS OF ACCESS, INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

ACCESS

The Group has entered into deeds of access, indemnity and insurance with each Director which contain rights of access to certain books and records of the Group.

INDEMNIFICATION

Under the Constitution, the Group is required to indemnify all Directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, indemnity and insurance, the Group indemnifies parties against all liabilities to another person that may arise from their position as an officer of the Group or its subsidiaries to the extent permitted by law. The deed stipulates that the Group will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

INSURANCE

Under the Constitution, the Group may arrange and maintain Directors' and officers' insurance for its Directors to the extent permitted by law and under the deed of access, indemnity and insurance, the Group must maintain insurance cover for each Director for the duration of the access period.

REMUNERATION
REPORT



SECTION 1: INTRODUCTION TO REMUNERATION AT AFTERPAY TOUCH GROUP

Afterpay Touch Group is pleased to present its Remuneration Report ('Report') for the 12 months ended 30 June 2018 ('Reporting Period'). This Report forms part of the Directors' Report and has been audited as required by the *Corporations Act 2001 (Cth)*. It contains information regarding the remuneration arrangements for key management personnel ('KMP') of the Group and outlines the relationship between the Group's performance and remuneration outcomes for KMPs.

1.1 OUR PHILOSOPHY

<p>The Group's executive remuneration framework is underpinned by the philosophy of 'Acting as Owners'. Guided by this philosophy, the Group looks to remuneration that is firstly 'Market Competitive', secondly offers 'Pay for Performance' and thirdly supports our core value of being 'Customer-First'. We are committed to delivering remuneration that reflects these principles to ensure we attract and retain leading talent, align remuneration to shareholder outcomes and encourage the continued development of products which deliver the best possible user experience for our customers. Total remuneration for executives includes a moderate fixed component relative to ASX listed peers in favour of a higher at-risk or performance related component in the form of Short Term Incentives (STIs) and Long Term Incentives (LTIs).</p>	<p>REMUNERATION PRINCIPLES</p>
<p>The Group is one of a small segment of ASX listed companies that operate in the globalised technology sector and has operations in the US market. The technology sector and US market are highly competitive for top tier talent and place a greater emphasis on at-risk remuneration in the form of share-based awards than is typical for Australian listed companies. Given this context, the Group provides a high proportion of LTI share-based payments vs fixed remuneration for senior executives to ensure the Group can be 'Market Competitive' and attract, motivate and retain key talent in the global technology talent pool, in order to achieve excellent performance for shareholders.</p>	<p>MARKET COMPETITIVE</p>
<p>The Group offers at-risk remuneration (either in the form of STI or LTI arrangements) linked to the achievement of individual and Group performance targets to align executive remuneration outcomes with shareholder outcomes. In this way the Group's and the individual's actual performance directly affects what the executive is paid and a 'Pay for Performance' link is established. In the case of LTI share-based awards, an executive's remuneration is also directly linked to the value of APT shares creating a strong alignment of interests.</p>	<p>PAY FOR PERFORMANCE</p>
<p>The Group is focused on never losing sight of its key stakeholders including customers, merchants, shareholders and external parties such as interest groups. Business and operational risk have also been a consideration in designing the remuneration framework, including with regard to the performance targets chosen, deferred vesting periods and, in some instances, the Board's discretion on approving and granting payments.</p>	<p>CUSTOMER FIRST</p>

1.2 CHANGES TO OUR REMUNERATION FRAMEWORK FOR FY19

FY18 EXECUTIVE KMP REMUNERATION PROGRAMMES	AT-RISK EQUITY PLAN FOR EMPLOYEES OF US BUSINESS	FY19 REMUNERATION PROGRAMMES
<p>At-risk Executive STI arrangement which is available to a small group of senior executives including KMP. Further information about STI arrangements is set out in sections 3.2 below</p> <p>At-risk Executive LTI arrangement which is available to a small group of senior executives including KMP. Under Executive LTI arrangements, executives are issued one-off share-based grants (in the form of options, loan shares or performance rights) at the time they commence employment, with deferred vesting, in order to attract key executive talent into the organisation. Further information about the LTI arrangements is set out in section 3.3 below.</p>	<p>During the year, an at-risk equity plan was established for employees of the US business ('US ESOP') which is designed to attract, retain and incentivise talent in the US market to grow the business in that region in line with the Group's strategic objectives.</p> <p>No members of KMP are currently eligible to participate in this plan. Further information about the US ESOP Plan is set out in section 3.4 below.</p>	<p>In FY19 the Group's STI and LTI remuneration programmes will be reviewed with a view to driving an even stronger 'Acting as Owners' philosophy, to more closely align these programmes with market practice of ASX listed companies and to potentially make them available to a broader cross-section of employees.</p> <p>Further details regarding the new arrangements will be disclosed in the Group's FY19 Remuneration Report.</p>

1.3 WHO IS COVERED BY THIS REPORT

This Report covers KMP of the Group, who are the people responsible for determining and executing the Group's strategy. This includes KMP (the Executive Chairman, Executive Directors and heads of business units who are part of the executive leadership team) as well as Non-Executive Directors.

TABLE 1. KMP DURING THE REPORTING PERIOD

KMP	POSITION	TERM AS KMP
EXECUTIVE DIRECTORS		
Anthony Eisen	Executive Chairman	Full Year
David Hancock	Executive Director and Group Head	Full Year
Nicholas Molnar	Executive Director and CEO of Afterpay	Full Year
NON-EXECUTIVE DIRECTORS		
Clifford Rosenberg	Director	Full Year
Elana Rubin	Director	Full Year
Dana Stalder ¹	Director	Part Year
Michael Jefferies ²	Director	Part Year
OTHER EXECUTIVE KMP		
Nadine Lennie ³	Chief Financial Officer	Part Year
Luke Bortoli ⁴	Chief Financial Officer	Part Year

1. Dana Stalder was appointed as a Non-Executive Director on 24 January 2018.
2. Michael Jefferies ceased as a Non-Executive Director on 16 January 2018.
3. Nadine Lennie ceased performing the substantive duties of CFO on 15 March 2018
4. Luke Bortoli commenced employment on 21 May 2018.

SECTION 2: EXECUTIVE KMP REMUNERATION

OVERVIEW

Executive KMP remuneration is linked to the drivers of the Group's business strategy and is aimed at rewarding executives for delivering excellent performance and generating value for shareholders. The at-risk components of remuneration (STI and LTI) are tied to measures that reflect the successful execution of our business strategy over both the short and long term. This means the Group's actual performance directly affects what KMP are paid.

2.1 EXECUTIVE KMP REMUNERATION IN THE REPORTING PERIOD

Total remuneration for KMP includes both a moderate fixed component (base salary) and an at-risk or performance related component (STI and LTI awards). An outline of these components is set out below.

TABLE 2. ELEMENTS OF EXECUTIVE KMP REMUNERATION

ELEMENT	FIXED REMUNERATION	AT-RISK - STI	AT-RISK - LTI
WHAT DOES THIS COMPONENT INCLUDE?	Base salary, superannuation and other benefits (such as relocation allowances).	Reward for strong individual and Group performance during the financial year.	Reward for longer-term individual and Group performance during the two or three-year performance period.
WHAT DOES PAYMENT DEPEND ON?	The skills, performance, experience and role of each individual. The Group has implemented moderate fixed remuneration relative to market capitalisation in favour of higher at-risk components.	Achievement of financial and non-financial key performance indicators ('KPIs'), and subject to a financial gateway hurdle.	Achievement of financial and non-financial performance conditions.
HOW IS THIS COMPONENT DELIVERED?	Cash	Cash	Typically, options, loan shares or performance rights vesting in two or three equal tranches after 1, 2 or 3 years following the grant date (as appropriate).
WHAT IS THE PURPOSE OF THIS REMUNERATION COMPONENT?	Provide ongoing remuneration in recognition of day-to-day accountabilities.	Motivate and reward excellent performance in the shorter term.	Typically, one-off grants designed to attract executive talent into the organisation, motivate and reward excellent performance in the longer term and provide a retention element whilst aligning with shareholder outcomes through the award of equity.

2.2 LINK BETWEEN EXECUTIVE REMUNERATION AND PERFORMANCE

The Group achieved exceptional growth in both revenue and underlying profitability which translated to a material appreciation in the Group's share price across the Reporting Period. The following table provides a summary of the Group's financial performance during the Reporting Period.

Afterpay Holdings Limited listed on the ASX in May 2016 and merged with Touchcorp Limited in June 2017 to form the new entity Afterpay Touch Group Limited. On this basis, the metrics in the table below reflect FY18 Group performance, and FY17 metrics relate to Afterpay Holdings Limited.

TABLE 3. LINK BETWEEN GROUP PERFORMANCE AND EXECUTIVE KMP REMUNERATION

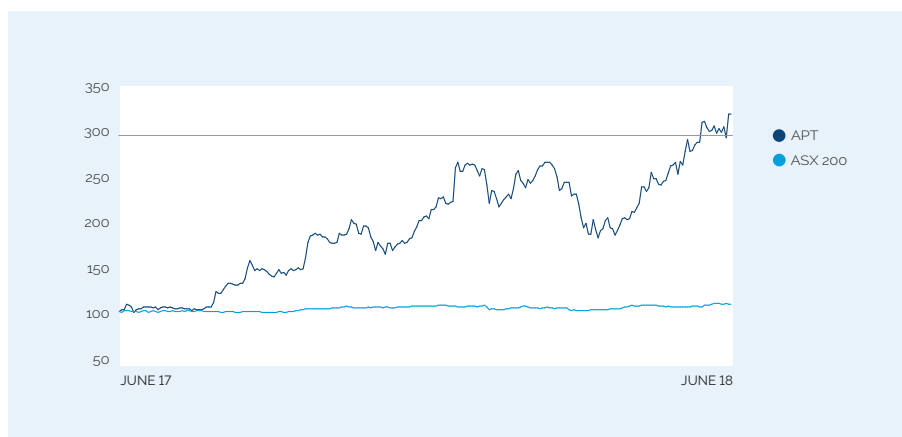
	SHARE PRICE AS AT FINANCIAL YEAR END	SHARE PRICE PERFORMANCE	TOTAL DIVIDENDS PAID	REVENUE ¹	REVENUE GROWTH ¹	UNDERLYING EBTDA	UNDERLYING EBTDA GROWTH
	\$	%	\$	\$	%	\$	%
FY18	9.35	217%	-	142.3	391%	27.7	378%
FY17	2.95 ²	N/A	-	29.0	N/A	5.8	N/A

1. Includes Other Income

2. No share price is shown for 30 June 2016 as the current legal entity did not exist and the different capitalisation structure of Afterpay Holdings makes any comparison misleading

The Group's shares price performed particularly strongly during the Reporting Period when compared to the benchmark ASX200 Index. The Group's share price rose from \$2.95 at 30 June 2017 to \$9.35 at 29 June 2018 (the last trading day of the financial year). Over the same time period the ASX200 Index rose from 5,721.5 to 6,194.6. This represented a return to Afterpay Touch Group shareholders of 216.9% compared with 8.3% for the ASX200 Index as illustrated by the following chart.

FIGURE 1: PERFORMANCE OF APT VS. ASX 200



SOURCE: FACTSET

SECTION 3: EXECUTIVE REMUNERATION IN THE REPORTING PERIOD

3.1 FIXED REMUNERATION

All senior executives receive fixed remuneration which includes cash, compulsory superannuation and any salary-sacrificed items (including fringe benefits). As appropriate, KMP receive additional support including accommodation allowances, travel, ad-hoc taxation advice and insurance. KMP do not receive retirement benefits beyond superannuation.

When determining the level of fixed remuneration for each role, the Group considers the remuneration levels offered at organisations from which it sources talent and to whom it could potentially lose talent. From time to time, the Board engages independent remuneration advisers to provide remuneration benchmarking data as input into setting remuneration for KMP. Typically, fixed remuneration for the Group's KMP is lower than the average of larger ASX listed companies given our focus on variable 'at-risk' remuneration.

3.2 EXECUTIVE STI AWARDS GRANTED DURING REPORTING PERIOD

The table below outlines the key terms and conditions applying to the Executive STI arrangements for the KMPs during the Reporting Period.

TABLE 4. DESCRIPTION OF EXECUTIVE STI GRANTED IN FY18

OVERVIEW OF STI DURING THE REPORTING PERIOD	STI arrangements are an at-risk component of executive remuneration involving the payment of a cash award if vesting conditions are met, including satisfaction of performance conditions.
PERFORMANCE PERIOD	STI awards are measured over the 12-month financial year. Any STI award payments are made after performance is tested at the end of the performance period.
PERFORMANCE CONDITIONS	<p>STI performance conditions include Group KPIs and individual KPIs.</p> <p>Group KPIs may consist of financial, strategic and customer satisfaction components including revenue growth; Net Transaction Margin performance; Net Promoter Scores and underlying profitability measures. These measures have been chosen as they are significant factors in the Group's overall financial performance and its reputation within the markets it operates.</p> <p>Individual KPIs consist of personal business goals which align with the Group's strategies, as well as a compliance component.</p> <p>The Board believes that having a mix of financial and non-financial KPIs will provide measurable financial performance criteria strongly linked to year-on-year shareholder returns and encourage the achievement of personal business goals consistent with the Group's overall objectives.</p>

MEASUREMENT OF PERFORMANCE CONDITIONS	<p>Performance against the KPIs is assessed annually by the Board based on recommendations from the Remuneration and Nomination Committee and Group Head after the end of the performance period as part of the broader performance review process for each KMP.</p> <p>Financial and non-financial conditions are assessed quantitatively against predetermined benchmarks where appropriate. When testing financial KPIs, financial results are extracted by reference to the Group's financial statements.</p> <p>These methods of assessing performance were chosen because they are, as far as practicable, objective and fair. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Group.</p>
TREATMENT ON CESSATION OF EMPLOYMENT	<p>If a KMP ceases to be employed during the 12-month performance period in 'good leaver' circumstances, they may be entitled to a pro rata STI award unless the Board determines otherwise.</p>

PERCENTAGE OF STI PAID AND FORFEITED DURING THE REPORTING PERIOD

Details of the STI outcomes during the Reporting Period are outlined in the table below.

TABLE 5. EXECUTIVE KMP STI OUTCOMES

EXECUTIVE KMP	MAXIMUM STI OPPORTUNITY ¹	DOLLAR VALUE OF STI AWARD GRANTED ²	% OF MAXIMUM STI AWARD GRANTED	% OF MAXIMUM STI AWARD FORFEITED
Anthony Eisen ⁴	N/A	300,000	N/A	N/A
David Hancock	300,000	300,000	100%	0%
Nicholas Molnar	300,000	300,000	100%	0%
Luke Bortoli	-	-	N/A	N/A
Nadine Lennie ³	-	-	N/A	N/A

1. The minimum potential value of STI awards is nil.

2. The STI cash award will be paid to eligible Executive KMP in September 2018.

3. Nadine Lennie ceased employment with the Group during the performance period, and accordingly her STI award was forfeited.

4. Anthony Eisen's terms of employment do not specify a STI component. The Board has approved a discretionary payment in relation to Anthony Eisen's performance for the Reporting Period.

3.3 EXECUTIVE LTI AWARDS

The table below outlines the key terms and conditions applying to the Executive LTI arrangements for the KMPs during the Reporting Period.

TABLE 6. DESCRIPTION OF LTI

OVERVIEW OF EXECUTIVE LTI ARRANGEMENT DURING THE REPORTING PERIOD	<p>Executive LTI awards are an at-risk component of executive remuneration typically involving the one-off grant of share-based awards (in the form of options, performance rights or loan shares) at the time the executive commences employment. They are used to attract and retain key executive talent to the organisation.</p> <p>The Group will continue to review its incentive arrangements on an ongoing basis to ensure they continue to meet the evolving needs of the Group. One-off LTI grants are likely to remain a key remuneration arrangement designed to attract executives and retain talent over the medium term.</p>
FORM OF AWARD	<p>Options entitle the holder to one share in the Group for every option exercised, subject to satisfaction of performance conditions and payment of the exercise price. Options are granted for nil consideration as they are part of an executive's remuneration. Please refer to Table 12 for details of options awarded during the Reporting Period.</p> <p>Loan shares are shares subject to an interest-free non-recourse loan and are subject to dealing restrictions until the loan is repaid. Refer to Table 12 for details of loan share LTIs during the Reporting Period.</p> <p>Performance rights entitle the holder to one share in the Group for each right that vests, subject to satisfaction of performance conditions. No performance rights were granted during the Reporting Period.</p>

PERFORMANCE PERIOD	LTI awards typically vest in two or three equal tranches after 1, 2 or 3 years following the grant date (as appropriate). LTI awards only vest after performance against the performance conditions is measured after each of the relevant vesting dates.
PERFORMANCE CONDITIONS	A combination of individual financial and non-financial performance conditions is chosen that is relevant to each KMP. These KPIs will ultimately drive future growth and returns for shareholders in the medium to long term. Non-financial individual targets are chosen to encourage the achievement of personal business goals consistent with the Group's overall strategic objectives.
MEASUREMENT OF PERFORMANCE CONDITIONS	<p>Performance against KPIs is assessed annually for each member of the KMP after each of the relevant vesting dates by the Board based on recommendations from the Remuneration and Nomination Committee and Group Head where appropriate.</p> <p>Financial and non-financial performance conditions are assessed quantitatively against predetermined benchmarks where appropriate. When testing the financial performance conditions, financial results are extracted by reference to the Group's financial statements. Where quantitative assessment is not practicable, qualitative performance appraisals are undertaken by the Board in consultation with the Remuneration and Nomination Committee.</p> <p>These methods of assessing performance were chosen because they are, as far as practicable, objective and fair. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Group.</p>
DISPOSAL RESTRICTIONS	<p>Options are subject to dealing restrictions until they are exercised. Upon exercise and payment of the exercise price, participants are allocated fully paid ordinary shares in the Group.</p> <p>Loan shares are subject to dealing restrictions until they have vested and the loan has been repaid, unless otherwise determined by the Board.</p> <p>Participants are free to deal with the shares allocated to them following vesting (and exercise where applicable) subject to the Group's Securities Trading Policy.</p>
TREATMENT ON CESSATION OF EMPLOYMENT	<p>Options only vest at the applicable vesting date if the participant:</p> <ul style="list-style-type: none"> • remains employed with the Group on that date; or • they have ceased employment as a "good leaver" (for example, due to death, total or permanent disablement, illness, genuine redundancy, or other factors determined by the Board to constitute sufficient reason to treat the person as a "good leaver"). <p>Loan Shares vest on the applicable vesting date if the participant remains employed on that date, or earlier if they cease employment as a good leaver.</p>
CHANGE OF CONTROL	If a takeover bid is made, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for shares in the Group, the Board has discretion to waive any outstanding performance conditions.
CLAWBACK	The Board has broad clawback powers that it may exercise if, for example, a participant has acted fraudulently or unlawfully or engaged in conduct in material breach of the Group's policies and codes of conduct.

3.4 U.S. ESOP PLAN

In line with the Group's objective of expanding into the United States market, the Board established a US equity incentive plan ('US ESOP Plan') during the Reporting period for employees of the Group's wholly owned subsidiary, Afterpay US, Inc ('Afterpay US').

During FY18, the Group made a number of senior appointments in the US with the US ESOP Plan being a key driver of their appointment.

The US ESOP Plan allows for an entitlement of up to 10% of the fully diluted stock of Afterpay US to employees, directors, and consultants. The options will convert to either APT shares or, if a direct IPO of Afterpay U.S. occurs, shares in the Afterpay U.S. entity.

The Board supported the development of an employee equity incentive plan dedicated to US employees in order to maximise the chances of successfully delivering on the Group's US growth aspirations and attracting world-class talent. The Board obtained advice that the US Plan was designed in line with typical US option plan structures and would therefore be competitive in attracting and retaining talent in that regard. In the FY18 period, no KMP participated in the US ESOP plan.

3.5 EXECUTIVE CONTRACTS

All KMP have a written executive service agreement with the Group. The key terms of these agreements are set out below:

TABLE 7. KEY TERMS OF KMP CONTRACTS IN FY18

TERM	EXECUTIVE KMP
DURATION	Ongoing term
PERIODS OF NOTICE REQUIRED TO TERMINATE	<p>Either party may terminate the contract by giving 3 months' notice for all KMP other than David Hancock for whom 6 months' notice applies.</p> <p>The Group may terminate immediately in certain circumstances, including where the relevant Executive KMP engages in serious misconduct.</p>
TERMINATION PAYMENTS	<p>David Hancock is entitled to six months' base salary where termination occurs (i) by the Company without notice or for incapacity, or (ii) by David Hancock on other grounds (such as a material adverse change in role). David Hancock is not entitled to this payment if the Company terminates for cause.</p> <p>Other members of the KMP are entitled to 3 months' salary where termination occurs other than for cause.</p>

SECTION 4: REMUNERATION GOVERNANCE

OVERVIEW

The following table represents the Group's remuneration decision making structure.

FIGURE 2. REMUNERATION GOVERNANCE AND DECISION MAKING

BOARD	
<p>Review and approve remuneration framework, remuneration principles and specific remuneration outcomes for Executive Directors.</p> <p>Exercise of discretion in relation to targets, goals and funding pools.</p>	
REMUNERATION AND NOMINATION COMMITTEE	
<p>The Board has adopted a Remuneration Policy. In line with that Policy, the Committee is responsible for assisting the Board to determine the appropriate remuneration and KPIs for directors and senior management. The Committee refers to the Policy when developing Board recommendations about KMP remuneration outcomes.</p>	
MANAGEMENT	REMUNERATION ADVISERS
<p>Proposals on executive remuneration outcomes</p> <p>Implementing remuneration policies</p>	<p>External and independent remuneration advice and information</p>

4.1 BOARD AND REMUNERATION AND NOMINATION COMMITTEE RESPONSIBILITIES

The Remuneration and Nomination Committee assists the Board in setting remuneration strategies and determining remuneration of and incentives for Non-Executive Directors, Executive Directors, the Group Head and other senior executives. The Remuneration and Nomination Committee Charter sets out the Remuneration and Nomination Committee's role and responsibilities, composition, structure and membership requirements.

It is critical that the Remuneration and Nomination Committee is independent of management when making decisions affecting employee remuneration. Accordingly, the Committee is comprised entirely of Non-Executive Directors, all of whom are independent. Where appropriate, the Group Head, Executive Chairman and Chief Financial Officer attend Committee meetings, however they do not participate in formal decision-making or in discussions relating to their own remuneration.

Details of the composition and responsibilities of the Remuneration and Nomination Committee are set out in the Corporate Governance Statement which can be found at the Corporate Governance section of our website.

4.2 USE OF REMUNERATION CONSULTANTS

The Remuneration and Nomination Committee may seek and consider advice from external advisers from time to time to assist the Committee discharge its duties. Any advice from consultants is used to guide the Committee and the Board, but does not serve as a substitute for thorough consideration by Non-Executive Directors.

Remuneration advisers may be engaged by the Chairperson of the Remuneration and Nomination Committee, however, during the Reporting Period, consultants did not provide the Remuneration and Nomination Committee with remuneration recommendations relating to KMP. Benchmark data and tax advice only was provided to the Committee.

SECTION 5: NON-EXECUTIVE DIRECTOR REMUNERATION

OVERVIEW OF POLICY

The table below sets out the key objectives of the Group's Non-Executive Director remuneration policy and how they are achieved through the Group's remuneration framework.

TABLE 8. NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

SECURING AND RETAINING TALENTED, QUALIFIED DIRECTORS	PRESERVING INDEPENDENCE AND IMPARTIALITY	ALIGNING DIRECTOR AND SECURITY HOLDER INTERESTS
The Remuneration and Nomination Committee makes recommendations to the Board regarding remuneration for Non-Executive Directors.	Director remuneration consists of base fees and additional fees for the Chairman of any Board Committee. No element of Non-Executive Director remuneration is 'at risk' to preserve the Directors' independence and impartiality.	Directors are encouraged to hold securities in the Group to create alignment between the interests of Directors and shareholders.

The Board will continue to review its approach to Non-Executive Director remuneration to ensure it remains market competitive and in line with high standards of corporate governance.

5.1 COMPONENTS AND DETAILS OF NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Directors' fees (including committee fees) are set by the Board within the maximum aggregate amount of A\$700,000 approved by shareholders at this time. The executive directors, including the Executive Chairman, are not entitled to be paid Directors' fees.

Given the growth and increase in complexity of the business, annual Non-Executive Directors' fees were benchmarked by independent consultants during the Reporting Period. Benchmarking was undertaken against similar industries as well as across companies with a similar market capitalisation. Based on this benchmarking analysis, it was agreed to increase the base fees per annum for each Non-Executive Director from \$60,000 to \$85,000 per annum with effect from 1 January 2018 reflecting the increase in Group market capitalisation from \$627m at 30 June 2017 to \$1.3b at 1 January 2018. The Chairman and members of each Committee receive an additional fee. These fees are set out in the table below.

TABLE 9. NON-EXECUTIVE DIRECTOR FEES AS FROM 1 JANUARY 2018

BOARD FEES PER ANNUM	AMOUNT
Non-Executive Director – base fee	\$85,000
Committee Chair (Nomination and Remuneration)	Additional \$15,000
Committee Chair (Audit and Risk)	Additional \$20,000
Membership of Committees	Additional \$5,000

In addition to Board fees, Non-Executive Directors are entitled to be reimbursed for all reasonable business-related expenses, including travel, as may be reasonably incurred in the discharge of their duties. The Group does not make sign-on payments to new Non-Executive Directors and the Board does not provide for retirement allowances for Non-Executive Directors.

SECTION 6: ADDITIONAL STATUTORY DISCLOSURES

6.1 STATUTORY REMUNERATION TABLES

The following tables reflect the accounting value of remuneration attributable to Directors and KMPs, derived from the various components of their remuneration.

TABLE 10A AND 10B: STATUTORY REMUNERATION TABLES

Table 10A shows remuneration of Afterpay Touch Group's key management personnel who were in place or appointed after 1 July 2017 as part of the formation of the post-Merger Group. The prior Reporting Period includes payments made to Afterpay Holdings Limited's KMP and subsequently, several members of Table 10B are no longer classified as Group KMPs as at 30 June 2018.

TABLE 10A: STATUTORY REMUNERATION TABLE

AFTERPAY TOUCH GROUP REMUNERATION FOR THE YEAR ENDED 30 JUNE 2018	SHORT-TERM		LONG-TERM				SHARE-BASED PAYMENTS		TOTAL	
	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPER-ANNUATION	LONG SERVICE LEAVE	TERMINATION	OPTIONS	LOAN SHARES ²	PERFORMANCE RELATED	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS										
Elana Rubin	94,959	-	-	7,541	-	-	-	-	102,500	0%
Clifford Rosenberg	97,802	-	-	2,375	-	-	8,037	-	108,214	7%
Michael Jefferies ³	47,359	-	-	2,814	-	-	163	-	50,336	0%
Dana Stalder ³	26,192	-	-	-	-	-	-	-	26,192	0%
Sub-total Non-Executive Directors	266,312	-	-	12,730	-	-	8,200	-	287,242	
EXECUTIVE DIRECTORS										
Anthony Eisen	283,518	300,000	-	32,600	2,293	-	1,135	-	619,546	49%
Nicholas Molnar	298,771	300,000	126,097	34,050	5,118	-	1,135	-	765,171	39%
David Hancock	321,499	300,000	33,319	30,542	573	-	163	11,986,348	12,672,444	97%
OTHER KEY MANAGEMENT PERSONNEL										
Nadine Lennie ³	386,856	-	-	25,000	-	-	-	124,447	536,303	23%
Luke Bortoli ³	32,315	-	8,251	3,070	-	-	237,009	-	280,645	84%
Sub-total key management personnel	1,322,959	900,000	167,667	125,262	7,984	-	239,442	12,110,795	14,874,109	
TOTAL	1,589,271	900,000	167,667	137,992	7,984	-	247,642	12,110,795	15,161,351	

¹ Non-monetary benefits represent non-monetary benefits such as insurance, rent, visa and tax advice costs.

² Loan Shares for David Hancock also include the fringe benefits tax. The Loan Shares remain subject to shareholders approval.

³ Michael Jefferies was Non-Executive Director for the period of 5 July 2017 to 16 January 2018. Dana Stalder was appointed as a Non-Executive Director from 24 January 2018. Nadine Lennie ceased being the Group's CFO on 15 March 2018. Luke Bortoli commenced employment on 21 May 2018.

TABLE 10B: STATUTORY REMUNERATION TABLES

AFTERPAY GROUP REMUNERATION FOR THE YEAR ENDED 30 JUNE 2017	SHORT-TERM		LONG-TERM		SHARE-BASED PAYMENTS			TOTAL	
	SALARY & FEES	CASH BONUS	SUPER- ANNUATION	LONG SERVICE LEAVE	TERMINATION	OPTIONS	PERFORMANCE RIGHTS	PERFORMANCE RELATED	
	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS									
Michael Jefferies	52,500	-	4,987	-	-	417	-	57,904	0%
David Hancock	75,000	-	7,125	-	-	417	-	82,542	0%
Clifford Rosenberg	75,000	-	7,125	-	-	27,651	-	109,776	0%
Sub-total Non-Executive Directors	202,500	-	19,237	-	-	28,485	-	250,222	
EXECUTIVE DIRECTORS									
Anthony Eisen	221,283	75,000	26,646	1,396	-	3,023	-	327,347	23%
Nicholas Molnar	268,269	75,000	30,875	1,698	-	3,023	-	378,865	20%
OTHER KEY MANAGEMENT PERSONNEL									
Richard Harris	213,351	100,000	28,500	1,359	-	163,401	-	506,611	18%
David Whiteman	209,810	-	20,084	1,359	-	48,831	-	280,084	0%
Fabio de Carvalho	211,275	83,584	26,940	1,359	-	19,775	-	342,933	22%
Barry Odes ¹	163,525	79,178	22,571	348	-	343,454	77,357	686,433	28%
Matthew Walton ¹	156,322	30,000	17,065	356	93,750	356,176	72,362	726,031	14%
Sub-total Executive Directors	1,443,835	442,762	172,681	7,875	93,750	937,683	149,719	3,248,304	
TOTAL	1,646,335	442,762	191,918	7,875	93,750	966,168	149,719	3,498,526	

1. Does not represent full year. Barry Odes started on 15 September 2016 and Matthew Walton started on 10 October 2016.

The Group announced on 30 August 2017 that it intended to offer David Hancock 2m loan funded shares ('Loan Shares') as part of the LTI component of his remuneration package. This grant reflected David Hancock joining the Group in the newly created role of Group Head at a moderate fixed remuneration and potential STI opportunity relative to ASX listed peers in favour of higher long-term at-risk performance incentives that aligns David Hancock with shareholders. The grant of Loan Shares remains subject to shareholder approval.

This structure means that the majority of David Hancock's \$12.7m total remuneration relates to the proposed one-off LTI grant. The proposed issue price of the Loan Shares will be the volume weighted average price of the shares on the ASX for the 5 trading days up to and including the grant date which will be a date as soon as practicable following shareholder approval.

Assuming shareholder approval is received, a loan will be issued to David Hancock for the total value of the Loan Shares. The first tranche of the proposed one-off LTI grant of Loan Shares will vest on 1 September 2018 (or the date shareholder approval is received if this occurs after this date) and the second tranche will vest on 1 September 2019, subject to David Hancock remaining an employee on the relevant vesting date or ceasing employment as a 'good leaver' as determined by the Board.

The loan or a proportion thereof, will become payable upon the earlier of David Hancock disposing of any vested Loan Shares or the expiry of the loan on 1 September 2022. The loan may become payable earlier under certain circumstances including if David Hancock ceases to be an employee of the Group. Upon expiry or sale of the Loan Shares, part of the loan balance may be waived if David Hancock satisfies certain conditions. The proportion of the loan balance that may be waived will be the tax adjusted difference per share between the issue price of the loan shares and \$2.70. This arrangement provides for an effective purchase price of the Loan Shares of \$2.70 plus the capital gains tax that would otherwise be payable on the difference between the issue price and \$2.70 by the Group Head. The \$2.70 figure represents the share price upon formation of the Group at the Merger and reflects the intention to implement the LTI as if it had been in place from the date David Hancock assumed the substantive responsibilities of Group Head.

The Group's share price increased 246% from 29 June 2017 (the first date the Group's shares were quoted after the Merger) to 30 June 2018. On this basis, the value of the proposed one-off LTI grant of loan shares has increased in line with the significant increase in APTs share price since the Merger. The valuation of the proposed one-off LTI grant of loan shares will continue to change with the Group's share price until such time as the proposed LTI grant is approved by shareholders with the issue price of the shares and the grant date then fixed. The proposed one-off LTI grant of loan shares is recognised in the profit and loss statement as a share-based payments expense but is a non-cash charge. There is an accrual for fringe benefits tax associated with the loan arrangement in the share-based payments expense as a result of the tax consequences of potentially waiving the loan balance if certain conditions are satisfied.

6.2 MOVEMENTS IN SECURITIES

The number of shares in the Group held during the Reporting Period by each member of KMP, including their related parties, are set out below.

TABLE 11. MOVEMENTS IN SHAREHOLDINGS NOT HELD UNDER AN EMPLOYEE SHARE PLAN

	OPENING BALANCE 1-JUL-17	PURCHASE OF SHARES	SALES OF SHARES	OTHER CHANGES DURING THE YEAR	BALANCE 30-JUN-18
NON-EXECUTIVE DIRECTORS					
Elana Rubin	46,567	10,000	-	-	56,567
Clifford Rosenberg	1,000,000	-	(200,000)	-	800,000
Dana Stalder	-	-	-	-	-
EXECUTIVES					
Anthony Eisen	25,000,000	-	(2,500,000)	-	22,500,000
Nicholas Molnar	25,000,000	-	(2,500,000)	-	22,500,000
David Hancock	2,400,000	-	(500,000)	-	1,900,000
OTHER KEY MANAGEMENT PERSONNEL					
Nadine Lennie	-	-	-	128,000	128,000
Luke Bortoli	-	-	-	-	-
TOTAL	53,446,567	10,000	(5,700,000)	128,000	47,884,567

The table below discloses the number of share options and loan shares granted, vested or lapsed during the year. KMPs have been granted options that vest over a number of years as detailed in Section 3.3. The Board makes an assessment of each KMP's performance in line with the criteria in Section 3.3 at each vesting date and will only allow the options to vest if it determines that the KMP has met or exceeded his or her individual KPIs. Additionally, the value of the options is intrinsically linked with the Group's share price performance. Options may vest at zero realisable value where the Group's share price is below the exercise price of the options. Share options and loan shares do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry.

TABLE 12: OPTIONS AND LOAN SHARES HELD UNDER AN EMPLOYEE SHARE PLAN

NAME	FINANCIAL YEAR	OPTIONS AWARDED DURING THE REPORTING PERIOD	LOAN SHARES AWARDED DURING THE REPORTING PERIOD	AWARD DATE	FAIR VALUE PER OPTION AT AWARD DATE ⁴ \$	VESTING DATE ⁵	EXERCISE PRICE ⁶ \$	EXPIRY DATE ⁷	NUMBER VESTED DURING THE REPORTING PERIOD	NUMBER LAPSED DURING THE REPORTING PERIOD	VALUE OF OPTIONS GRANTED DURING THE REPORTING PERIOD \$	VALUE OF LOAN SHARES RECORDED DURING THE REPORTING PERIOD \$	VALUE OF LOAN SHARES EXERCISED DURING THE REPORTING PERIOD ⁸ \$
Anthony Eisen	2018	-	-	-	-	-	-	-	500,000	-	-	-	-
Nicholas Molnar	2018	-	-	-	-	-	-	-	500,000	-	-	-	-
David Hancock ¹	2018	-	2,000,000	23/8/17	5.93	1/9/18	4.26	1/9/22	66,667	-	-	11,986,348	-
Nadine Lennie ²	2018	-	-	-	-	-	-	-	128,000	-	-	-	628,480
Luke Bortoli ³	2018	1,350,000	-	1/6/18	3.45	1/6/19	5.00	31/12/22	-	-	4,657,500	-	-

- David Hancock's one-off loan shares to be granted subject to approval from shareholders. Although such approval has not yet been received, these loan shares have been included for accounting purposes for the time that the Group Head was employed in that capacity. Half of David Hancock's loan shares will vest on 1 September 2018 and the remainder will vest on 1 September 2019.
- Nadine Lennie's loan shares were granted on 19 April 2017 with an exercise price \$2.22 and were fully vested on 31 December 2017.
- One third of Luke Bortoli's options will vest at 1 June 2019, 1 June 2020 and 1 June 2021, respectively.
- The fair value of options and loan shares are calculated using the Binomial Model. David Hancock's Loan Shares are fair valued as at 30 June 2018.
- Vesting date is the earliest date the vested options can be exercised.
- The calculation of exercise prices and fair values for loan shares and options is discussed in further detail in Note 13. Note in particular that under AASB 2 Share-based payments, the Loan Shares are treated as "in substance options".
- The expiry date of loan shares refers to the date upon which the loan must be repaid. Loans may be repayable earlier upon certain conditions being satisfied such as the employee ceasing their employment. A portion of the repayment requirement may be waived as discussed in Section 6.1.
- The value at exercise date has been determined by the share price at the close of business on exercise date less the Loan Share exercise price, multiplied by the number of Loan Shares exercised during 2018.

As the loan provided by the Group to David Hancock to fund the purchase of the shares is limited recourse, the Group classifies the loan shares as "in substance options" under the Australian Accounting Standards. The figures in Table 12 have been prepared accordingly.

TABLE 13: MOVEMENTS IN OPTIONS AND LOAN SHARES HELD UNDER AN EMPLOYEE SHARE PLAN

NAME ¹	INSTRUMENT	HELD AT 1 JULY 2017	GRANTED	EXERCISED	LAPSED/FORFEITED	HELD AT 30 JUNE 2018
Anthony Eisen	Options	1,500,000	-	-	-	1,500,000
Nicholas Molnar	Options	1,500,000	-	-	-	1,500,000
David Hancock ²	Options	200,000	-	-	-	200,000
	Loan Shares	-	2,000,000	-	-	2,000,000
Clifford Rosenberg	Options	900,000	-	-	-	900,000
Nadine Lennie	Loan Shares	128,000	-	128,000	-	-
Luke Bortoli	Options	-	1,350,000	-	-	1,350,000

- All options and loan shares are held directly by KMP.
- David Hancock's one-off loan shares to be granted subject to approval from shareholders. Although such approval has not yet been received, these loan shares have been included for accounting purposes for the time that the Group Head was employed in that capacity.
- Options that vested in the year are disclosed in Table 12. While no KMP options were exercised during the year, no options that vested during the year were unexercisable.

6.3 ACTUAL REMUNERATION SNAPSHOT

The table below outlines a summary of the actual take-home pay received by Executive KMP during the Reporting Period. Unlike the statutory remuneration tables in Section 5, the below table has not been prepared in accordance with the requirements of the Australian Accounting Standards and is unaudited. The table is included on a voluntary basis to show the remuneration actually received by Executive KMP during the Reporting Period, rather than remuneration calculated on an accrual basis. The appreciation of the Group's share price during the year has resulted in a material uplift in the market value of options vested during the year. As these options have not been exercised, this value has not been realised by the relevant KMPs.

TABLE 14. FY18—ACTUAL REMUNERATION

KMP	FIXED REMUNERATION ¹	STI – PAID IN FY18 ²	OPTIONS VESTING IN FY18 VALUED AT TIME OF GRANT ^{3,4}	TOTAL INCL. OPTIONS AT TIME OF GRANT	MARKET VALUE OF OPTIONS VESTED AT FY18 YEAR END ⁷	TOTAL INCL. OPTIONS AT MARKET VALUE ^{1,2,4}
Anthony Eisen	308,993	82,125	1,700	392,818	4,175,000	4,566,118
David Hancock ⁵	352,041	N/A	234	352,275	556,669	908,710
Nicholas Molnar	325,696	82,125	1,700	409,521	4,175,000	4,582,821
Luke Bortoli ⁶	35,385	N/A	N/A	35,385	-	35,385

- Total fixed remuneration earned in FY18 includes base salary and superannuation as well as annual leave accruals but excludes other benefits (e.g. relocation expenses, accommodation allowances and tax advice).
- This reflects the actual STI earned for performance in FY17 (paid in FY18). These payments were made under employment contracts with Afterpay Holdings Limited.
- This reflects the fair value of options that vested in FY18. The fair value was calculated using the Binomial Model as at the date the options were granted. Options that remained unvested in FY18, including any options granted in FY18, do not appear in this table as no value was realised by KMP from those options in FY18.
- 500,000 options with a strike price of \$1.00 vested for Anthony Eisen and Nicholas Molnar in the year. 66,667 options with an exercise price of \$1.00 vested for David Hancock. None of the vested options were exercised in the Reporting Period but are included to reflect they are exercisable at the KMP's discretion. Loan shares that remain unvested, including those granted in FY18, do not appear in this table as no value was realised by David Hancock from those loan shares in FY18.
- David Hancock was not an employee of Afterpay Holdings Limited in FY17 and was therefore ineligible for a STI award.
- Luke Bortoli commenced employment on 21 May 2018 and on this basis no STI or LTI was eligible to vest in FY18. Luke Bortoli's fixed remuneration is the amount accrued for the Reporting Period but was paid in July 2018.
- The market value of options at year end is calculated as the closing price for Group shares as reported by Factset at 29 June 2018 of \$9.35 less the strike price for the options of \$1 multiplied by the number of options that vested during the year for each KMP. This methodology represents a significantly higher value per option than the fair value at the time of grant reflecting the Group's significant share price appreciation from the date of grant.

6.4 LOANS TO KMP

No KMP or their related parties held any loans from the Group during or at the end of the Reporting Period. Loan shares are treated under AASB 2 as "in substance options" and not recognised as loans in the accounts.

6.5 OTHER KMP TRANSACTIONS

During the year, payment relating to consulting services totalling \$5,000 were made by the Group companies to Finarch Pty Ltd, a related entity of David Hancock. This payment related to the outstanding balance from the 2017 financial year prior to David Hancock assuming the role of Group Head.

Dana Stalder joined the Board during the year as part of the US\$15m investment from Matrix Partners, a venture capital firm of which Dana Stalder is a General Partner.

INSURANCE OF DIRECTORS AND OFFICERS

During the year the Group paid a premium for a Directors and Officers Liability Insurance Policy. This policy covers Directors and Officers of the Group and the consolidated entity. In accordance with normal commercial practices under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of the premiums are prohibited by the policy.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has sought to bring proceedings on behalf of the Group, and the Group is not a party to any proceedings, for the purpose of taking responsibility on behalf of the Group for any such proceedings, or for a particular step in any such proceedings.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the consolidated entity are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Details of the audit and non-audit fees paid or payable for services provided by the auditor of the parent entity, and its related practices, are detailed in Note 21.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Afterpay Touch Group Limited support and have substantially adhered to the principles of corporate governance.

The Board monitors the operational and financial position and performance of Afterpay Touch Group Limited and oversees its business strategy, including approving the strategic goals of the Group and considering and approving its annual business plan and associated budget. The Board is committed to generating appropriate level of shareholder value and financial return and achieving the growth and success of the Group. In conducting the Group's business with these objectives, the Board seeks to ensure that the Group is properly managed to protect and enhance shareholder interests and that the Group, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has adopted a framework of corporate governance including risk management practices and internal controls that it believes appropriate for the Group's business. Details of the Group's key policies and the charters for the Board and each of its committees is available at www.afterpaytouchgroup.com.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations (Rounding in Financial/Director's Reports) Instruments 2016/191. The Group is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of the Directors.



Anthony Eisen

Executive Chairman
Melbourne
23 August 2018



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Auditor's Independence Declaration to the Directors of Afterpay Touch Group Limited

As lead auditor for the audit of Afterpay Touch Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Afterpay Touch Group Limited and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'David McGregor'.

David McGregor
Partner
23 August 2018

MARKET AND INDUSTRY SUPPORT OF THE AFTERPAY PRODUCT CONTINUES TO GROW AND THE GROUP WAS AWARDED "FINTECH ORGANISATION OF THE YEAR" FOR THE SECOND CONSECUTIVE YEAR



A woman with her hair in a ponytail, wearing a black and white striped t-shirt, denim shorts, and checkered slip-on shoes, is captured mid-air as she jumps over a wall of teal plastic cups. The cups are stacked in a grid pattern, creating a textured, repetitive background. The woman's arms are outstretched, and her hair is flying, conveying a sense of motion and freedom.

AFTERPAY TOUCH GROUP
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018		CONSOLIDATED	AFTERPAY ¹
	NOTE	2018 \$'000	2017 \$'000
Revenue from ordinary activities		113,899	22,906
Revenue		113,899	22,906
Cost of sales		(28,210)	(5,263)
Gross profit		85,689	17,643
Other income		28,446	6,120
Total other income		28,446	6,120
Depreciation and amortisation expense	5	(17,329)	(2,708)
Employment expenses	5	(38,619)	(6,570)
Receivables impairment expense	9	(32,610)	(8,158)
Operating expenses	5	(27,077)	(20,319)
Operating loss		(1,500)	(13,992)
Finance income		531	347
Finance cost		(6,617)	(778)
Loss before tax		(7,586)	(14,423)
Income tax (expense)/benefit	6	(1,390)	4,803
Loss for the year		(8,976)	(9,620)
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		(45)	-
Other comprehensive loss		(45)	-
Total comprehensive loss for the year, net of tax		(9,021)	(9,620)
Loss per share	15		
Basic, loss for the year attributable to ordinary equity holders of the Parent		(\$0.04)	(\$0.05)
Diluted, loss for the year attributable to ordinary equity holders of the Parent		(\$0.04)	(\$0.05)

1. Due to the proximity of the Merger to 30 June 2017, the comprehensive income only related to Afterpay Group.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018		CONSOLIDATED 2018 \$'000	CONSOLIDATED RESTATED ¹ 2017 \$'000
	NOTE		
Assets			
Current assets			
Cash and cash equivalents	7	25,457	29,602
Other financial asset	8	23,741	8,893
Receivables	9	239,068	98,385
Other current assets		17,320	11,937
Total current assets		305,586	148,817
Non-current assets			
Property, plant and equipment	10	4,008	4,460
Intangible assets	10	72,495	76,509
Deferred tax assets	6(d)	9,261	9,066
Other non-current assets		875	1,475
Total non-current assets		86,639	91,510
Total assets		392,225	240,327
Liabilities			
Current liabilities			
Trade and other payables		42,916	22,836
Onerous contract provision	5	-	6,153
Employee benefit provision		1,793	1,426
Unearned income		252	142
Interest bearing borrowings	11	50	-
Income tax payable		1,582	1,065
Total current liabilities		46,593	31,622
Non-current liabilities			
Employee benefit provision		157	140
Onerous contract provision	5	-	1,538
Office lease provision		365	196
Interest bearing borrowings	11	161,555	46,748
Total non-current liabilities		162,077	48,622
Total liabilities		208,670	80,244
Net assets		183,555	160,083
Equity			
Issued capital	16(a)	192,628	171,411
Accumulated losses		(22,195)	(13,219)
Reserves		13,122	1,891
Total equity		183,555	160,083

1. Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 4.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018					
	ISSUED CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	CONSOLIDATED ACCUMULATED LOSSES	RESERVES	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2017	171,411	-	(13,219)	1,891	160,083
Loss for the year	-	-	(8,976)	-	(8,976)
Other comprehensive income	-	(45)	-	-	(45)
Total comprehensive loss for the year	-	(45)	(8,976)	-	(9,021)
Transactions					
Issue of share capital	18,700	-	-	-	18,700
Share options exercised	2,720	-	-	(431)	2,289
Share issue expenses (net of tax)	(203)	-	-	-	(203)
Share-based payments expenses	-	-	-	11,707	11,707
At 30 June 2018	192,628	(45)	(22,195)	13,167	183,555

FOR THE YEAR ENDED 30 JUNE 2017					
	ISSUED CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	CONSOLIDATED ACCUMULATED LOSSES	RESERVES	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	41,507	-	(3,599)	153	38,061
Loss for the year	-	-	(9,620)	-	(9,620)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	(9,620)	-	(9,620)
Issue of share capital	36,000	-	-	-	36,000
Share options exercised	150	-	-	(100)	50
Acquisition of a subsidiary	94,848	-	-	-	94,848
Share issue expenses (net of tax)	(1,094)	-	-	-	(1,094)
Share-based payments expenses	-	-	-	1,838	1,838
At 30 June 2017	171,411	-	(13,219)	1,891	160,083

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018	NOTE	CONSOLIDATED	AFTERPAY
		2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,201,510	440,879
Payments to employees (inclusive of on-costs)		(17,853)	(3,669)
Payments to merchants and suppliers (inclusive of GST)		(2,287,985)	(516,077)
Income tax paid		(1,004)	-
Net cash flows used in operating activities	7	(105,332)	(78,867)
Cash flows from investing activities			
Interest received		524	433
Increase in term deposit		(2,165)	(100)
Acquisition of a subsidiary, net of cash acquired		-	17,169
Payments for recognised intangible assets		(10,509)	-
Purchase of intangibles		(990)	(452)
Purchase of plant, property and equipment		(1,082)	(78)
Net cash flows (used in)/from investing activities		(14,222)	16,972
Cash flows from financing activities			
Proceeds from borrowings		49,815	37,855
Proceeds from exercise of share options		2,276	50
Proceeds from issue of shares		18,700	36,000
Capital raising and Bonds issuance expenses		(1,100)	(1,588)
Interest and bank fees paid		(5,909)	(543)
Proceeds from Bonds issuance		50,000	-
Net cash flows from financing activities		113,782	71,774
Net increase in cash and cash equivalents		(5,772)	9,879
FX on cash balance		1,627	-
Cash and cash equivalents at beginning of the year		29,602	19,723
Cash and cash equivalents at end of the year		25,457	29,602

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NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

CORPORATE INFORMATION

The consolidated financial statements of Afterpay Touch Group Limited for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 23 August 2018.

The securities of Afterpay Touch Group Limited (the Company) are listed on the Australian Securities Exchange (ASX). The activities of Afterpay Touch Group Limited and its subsidiaries (the Group) are described in the Directors' Report. The Group's principal place of business is 406 Collins Street, Melbourne Victoria, Australia.

The Company was incorporated on 30 March 2017 as a for-profit company and domiciled in Australia. On 19 June 2017, the Company completed the acquisition of Afterpay and Touchcorp which resulted in the Company becoming the ultimate parent of Afterpay Holdings Limited and Touchcorp Limited. The Company was incorporated as a special-purpose company to make an offer to acquire all of the shares of Afterpay and Touchcorp.

The Company's consolidated financial statements for the period ended 30 June 2017 are presented as the continuation of Afterpay financial statements and the acquisition of Touchcorp as at 30 June 2017.

BASIS OF ACCOUNTING

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis and is presented in Australian dollars and all values are rounded to the nearest thousand (\$'000), except when otherwise indicated.

A. COMPLIANCE WITH IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

B. COMPARATIVES

Certain amounts in the comparative information have been restated to conform with current period financial statement presentation.

C. FUNCTIONAL CURRENCY

The consolidated financial statements are presented in Australian Dollars, which is the functional currency of the parent entity. Entities in the Group may have other functional currencies, reflecting the currency of the primary economic environment in which the relevant entity operates.

If an entity in the Group has undertaken transactions in foreign currency, these transactions are translated into that entity's functional currency using the exchange rates prevailing at the dates of the transactions. Where the functional currency of a subsidiary is not Australian dollars, the subsidiary's assets and liabilities are translated on consolidation to Australian dollars using the exchange rates prevailing at the reporting date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income and in the foreign currency translation reserve in equity.

D. BASIS OF CONSOLIDATION

The consolidated financial information comprises the financial information of the Group and its subsidiaries as at 30 June 2018. The Group has control of its subsidiaries when it is exposed to, and has the rights to, variable returns from its involvement with those entities and when it has the ability to affect those returns. A list of significant controlled entities (subsidiaries) at year-end is contained in Note 17.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

E. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management has identified a number of accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of these assumptions may be found in the relevant notes to the financial statements.

2. SEGMENT INFORMATION

The Group determines and presents operating segments based on the information that is provided internally to review and support decision making within the business.

The business operates under two key business lines:

- Pay Later which comprises Afterpay Australia, New Zealand and the United States.
- Pay Now which comprises Mobility and Payments, Health and Retail Services.

Services provided between operating segments are on arm's length basis.

While the Group has operations in New Zealand, Europe and the United States, the business segments operate principally in Australia.

3. SIGNIFICANT ACCOUNTING POLICIES – REVENUE

REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

RENDERING OF SERVICES – PAY LATER

The Group facilitates the sales of products and services by merchants to end-customers by allowing end-customers to buy now and pay later without having to take out a traditional loan or paying any interest and fees. Afterpay pays merchants upfront and assumes all non-payment risk. For this, the merchant pays Afterpay a fee with revenue recognised for the service upon end-customers' acceptance through the Afterpay System.

SEGMENT INFORMATION	PAY LATER	PAY NOW	CORPORATE	TOTAL
	\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities	88,328	25,571	-	113,899
Cost of sales	(17,636)	(10,574)	-	(28,210)
Gross profit	70,692	14,997	-	85,689
Other income	28,446	-	-	28,446
Total other income	28,446	-	-	28,446
Net finance income/(cost)	(6,109)	23	-	(6,086)
Receivables impairment expenses	(32,548)	(62)	-	(32,610)
Operating expenses	(25,608)	(7,688)	(14,461)	(47,757)
EBTDA excluding FX, share-based payment expense (non-cash) and one-off items	34,873	7,270	(14,461)	27,682
Share-based payments (non-cash)	-	-	-	(16,374)
One-off costs	-	-	-	(2,960)
Foreign currency gains	-	-	-	1,395
Depreciation and amortisation	-	-	-	(17,329)
Loss before income tax	-	-	-	(7,586)
Income tax expense	-	-	-	(1,390)
Loss for the year	-	-	-	(8,976)

RENDERING OF SERVICES – PAY NOW

The Group facilitates the sales of electronic products and services for which it receives a fee for every successful transaction. Revenue from integration services is recognised by reference to stage of completion of a contract or contracts in progress at balance date.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where there is a final customer acceptance condition in the contract, revenue is recognised only upon customer acceptance. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

OTHER INCOME - LATE FEE CHARGES

Late fee charges are currently used by Afterpay as an incentive mechanism in order to encourage end-customers to pay their outstanding balances as and when they fall due. Revenue is recognised upon charge to end-customer at certain time points where late fees become applicable and are expected to be recovered.

INTEREST REVENUE

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

Given the relative market capitalisation of Afterpay and Touchcorp, together with the future anticipated Afterpay Touch Group Board and executive representation, Afterpay was identified as the acquirer of Touchcorp Ltd and the Afterpay Touch Group.

The fair value of the identifiable assets and liabilities of Touchcorp as at the date of acquisition were:

	NOTE	\$'000
Property, plant and equipment		4,384
Intangible assets	10	42,486
Cash and cash equivalents		17,169
Receivables and other current assets		167,726
Deferred tax asset, net	6	2,086
Payables		(18,586)
Net assets acquired		215,265
Goodwill arising on acquisition	10	23,575
Purchase consideration transferred		238,840
Number of shares issue to Touchcorp shareholders ('000)		82,322
Fair value of shares issued (\$'000)		237,088
Fair value of employee shares issued subject to non-recourse loans (\$'000)		1,752
Total purchase consideration (\$'000)		238,840

4. BUSINESS COMBINATIONS

On 19 June 2017, the Group acquired 100% of the voting shares of Afterpay and Touchcorp shares. The rationale for the Merger was compelling as it brought together the complementary skill and product sets of Afterpay and Touchcorp. Afterpay has grown its merchant numbers, customer numbers and revenues at a strong rate since Afterpay commenced business in the first half of 2015, with that growth supported and enabled in a technology sense by Touchcorp. The Merger brought together the key executives responsible for this success under a single company structure allowing shareholders in both Afterpay and Touchcorp to benefit from having a single corporate objective.

The net assets recognised in the 30 June 2017 financial statements were based on the provisional assessment of their value while the Group sought an independent valuation for the Touchcorp intangible assets. The valuations had not been completed by the date the 2017 financial statements were approved for issue by the Board of Directors. During the financial year, the fair valuation of net assets acquired was completed and the fair value of the core technology intangible assets was \$27.0m, an increase of \$9.6m and a customer contract intangible asset of \$15.3m was recognised. The 2017 comparative information was restated to reflect the adjustment to the provisional amounts. As a result of the fair value uplift of the intangible assets, there was an increase in the deferred tax liabilities of \$7.8m. These fair value adjustments decreased the provisional goodwill by \$17.2m to \$23.6m. Refer to Note 10 for details.

The purchase consideration was based on Afterpay's share price of \$2.88, being the share price at the close of business on 19 June 2017.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

For core technology, a valuation methodology based on a replacement cost model was used, as there is a lack of comparable market data because of the nature of the assets. For customer contracts, a discounted cash flow model was used and this is based on historical data and estimated future performance of each contract.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

5. EXPENSES

	CONSOLIDATED		AFTERPAY	
	2018		2017	
	\$'000		\$'000	
Depreciation and amortisation				
Depreciation	(1,808)		(21)	
Amortisation	(15,521)		(2,687)	
Total depreciation and amortisation	(17,329)		(2,708)	
Employee benefits expense				
Share-based payments (non-cash)	(16,374)		(1,838)	
Wages and salaries	(19,199)		(4,100)	
Other employee on-costs	(3,046)		(632)	
Total employment expenses	(38,619)		(6,570)	
Operating expenses				
Debt recovery costs, including bank charges	(6,569)		(565)	
Consulting and contractor costs	(4,339)		(1,088)	
Marketing expense	(5,794)		(818)	
Communication and technology	(2,653)		(76)	
Operating lease expense	(1,530)		(181)	
Merger related costs	(1,686)		(1,558)	
Asset impairment and provision for onerous contract ¹	-		(13,596)	
General and administrative expenses	(4,506)		(2,437)	
Total operating expenses	(27,077)		(20,319)	

1. This relates to the 5-year customer development contract to develop and pay rebates to a party with whom Touchcorp sought to co-operate to increase the numbers of transactions carried on the Touch System Platform. Due to the financial performance and the changing focus of the merged Group, in the 2017 financial statements, the Group impaired the prepaid asset related to the agreement of \$5.9m and recognised an onerous contract provision of \$7.7m. The provision had been calculated on the remaining cost to fulfill the obligations, which was fully paid by the end of 30 June 2018.

SIGNIFICANT ACCOUNTING POLICIES

EMPLOYEE LEAVE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

6. INCOME TAX

A. INCOME TAX BENEFIT/(EXPENSE)

	CONSOLIDATED	AFTERPAY
	2018	2017
	\$'000	\$'000
The major components of income tax benefit:		
Current Income tax charge		
Current income tax charge	(8,974)	(2,119)
Adjustments in respect of current income tax of previous years	62	-
Deferred income tax		
Relating to origination/reversal of temporary differences	7,493	5,868
Reversal/recognition of deferred tax asset in relation to tax losses	-	1,054
Adjustment in relation to deferred income tax of previous years	29	-
Income tax (expense)/benefit as reported in the income statement	(1,390)	4,803

B. STATEMENT OF CHANGES IN EQUITY

	CONSOLIDATED	CONSOLIDATED
	2018	2017
	\$'000	\$'000
Deferred income tax related to items charged (credited) directly to equity:	(84)	(468)
Net deferred income tax on share issue expenses	(84)	(468)

C. NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE RECOGNISED IN THE INCOME STATEMENT AND TAX BENEFIT CALCULATED PER THE STATUTORY INCOME TAX RATE

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	CONSOLIDATED	AFTERPAY
	2018	2017
	\$'000	\$'000
Accounting loss before tax	(7,586)	(14,423)
At the Group's statutory rate of 30% (2017: 30%)	2,276	4,327
Expenditure not allowed for income tax purposes	(3,558)	(578)
Foreign tax rate differential	(59)	-
Amount over provided in prior year	91	-
Tax losses not recognised	(140)	-
Recognition of tax losses not previously recognised	-	1,054
Income tax (expense)/benefit	(1,390)	4,803

D. DEFERRED INCOME TAX

Deferred income tax at 30 June relates to the following:

	CONSOLIDATED	CONSOLIDATED RESTATED
	2018	2017
	\$'000	\$'000
Deferred tax liabilities		
Capitalisation of research and development expenditure	3,612	2,879
Prepayments	413	23
Customer contracts	3,144	4,609
Unrealised foreign exchange	447	-
Other	195	-
Gross deferred tax liabilities	7,811	7,511
Set-off of deferred tax assets	(7,811)	(7,511)
Deferred tax liabilities	-	-
Deferred tax assets		
Employee related provisions	3,307	470
Share issue expenses	1,085	1,490
R&D offsets	410	3,285
Impairment provision	-	2,307
Doubtful debts	4,530	1,642
Other	922	(369)
Losses	6,818	7,752
Gross deferred tax assets	17,072	16,577
Set-off of deferred tax liabilities	(7,811)	(7,511)
Net deferred tax assets	9,261	9,066

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

TAXATION INTERPRETATION, REGULATION AND TIMING RECOGNITION

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to current and deferred tax already recorded.

SIGNIFICANT ACCOUNTING POLICIES

INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax in respect of the taxable income for the year is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is recognised using the balance sheet method in which temporary differences are calculated based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for deductible temporary differences and unused tax credits and tax losses, only to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

TAX CONSOLIDATION LEGISLATION

Afterpay Touch Group Limited and its wholly-owned Australian controlled subsidiaries formed a tax consolidated group effective from 15 August 2017. Afterpay Touch Group Limited and the members of the tax consolidated group recognise their own current tax and deferred tax assets and liabilities arising from temporary differences using the "standalone taxpayer approach" by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

In addition to its current and deferred tax balances, Afterpay Touch Group Limited has assumed the current tax liabilities and any deferred tax assets arising from unused tax credits or losses of the members in the tax consolidated group.

NATURE OF TAX FUNDING ARRANGEMENTS AND TAX SHARING ARRANGEMENTS

Entities in the tax-consolidated group entered into a tax funding agreement with the head entity. The arrangements require payments to/ (from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any deferred taxes relating to unused tax losses or unused tax credits transferred to the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement. The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should be the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

7. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2018	2017
	\$'000	\$'000
Cash at bank and in hand	10,292	16,565
Short-term deposits	15,165	13,037
Total cash and cash equivalents	25,457	29,602

The total Group's cash balance is \$49.2m (2017: \$38.5m) which includes the restricted cash classified as other financial assets, as in Note 8.

RECONCILIATION FROM THE NET LOSS BEFORE TAX TO THE NET CASH FLOWS FROM OPERATIONS	CONSOLIDATED	
	2018	AFTERPAY 2017
	\$'000	\$'000
Loss before tax	(7,586)	(14,423)
Adjustments for:		
Depreciation	1,808	21
Amortisation	15,521	2,687
Asset impairment and provision for onerous contract	-	13,596
Share-based payments	16,374	1,838
Finance cost	6,617	777
Finance income	(531)	(347)
Unrealised foreign currency gains	(1,501)	-
Changes in assets and liabilities		
Increase in receivables	(140,683)	(84,842)
Increase in prepayments and other assets	(4,483)	(4,117)
Increase in trade and other payables	9,132	5,943
Net cash used in operating activities	(105,332)	(78,867)

SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

8. OTHER FINANCIAL ASSET

	CONSOLIDATED	
	2018	2017
	\$'000	\$'000
Other financial asset	23,741	8,893
Total other financial asset	23,741	8,893

Other financial asset is cash held in the Group's Warehouse Trust with National Australia Bank (NAB) for the purposes of repayment of the Group's secured interest bearing borrowings (as disclosed in Note 11) and payment of interest and bank fees associated to that borrowings.

The Group has a non-controlling interest of 15.3% in a privately held company in the start-up phase which is designated as an available for sale financial asset. The fair value of the Group's non-controlling interest was valued at \$0 at 30 June 2018 (2017: \$0) due to uncertainty concerning the Company's future prospects and its ability to generate profits. The shares of the non-controlling interest are privately held and not listed on any third party public exchange. This is a Level 3 financial asset.

9. RECEIVABLES

	CONSOLIDATED	
	2018	2017
	\$'000	\$'000
Receivables	254,211	103,677
Less allowance for doubtful debts		
Opening balance	(5,292)	(399)
Provided in the year	(32,610)	(8,158)
Debts written off/collected	22,759	3,265
Total allowance for doubtful debts	(15,143)	(5,292)
Total receivables	239,068	98,385

At 30 June, the aging analysis of receivables is as follows:

2018	CURRENT			PAST DUE		TOTAL
	\$'000	OWED BUT NOT YET DUE	1-30 DAYS	31-61 DAYS	OVER 61 DAYS	
Receivables	234,784	8,607	5,694	5,126	254,211	
Provision for impairment	(1,531)	(4,440)	(4,749)	(4,423)	(15,143)	
Net receivables	233,253	4,167	945	703	239,068	

2017	CURRENT			PAST DUE		TOTAL
	\$'000	OWED BUT NOT YET DUE	1-30 DAYS	31-61 DAYS	OVER 61 DAYS	
Receivables	94,852	4,599	2,127	2,099	103,677	
Provision for impairment	(566)	(1,796)	(1,671)	(1,259)	(5,292)	
Net receivables	94,286	2,803	456	840	98,385	

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

RECEIVABLES

Receivables generally have 14-56 day terms (Pay Later) and 7-30 day terms (Pay Now). Due to the short-term nature of receivables, their carrying amount (less allowance for doubtful debts) is approximately equal to their fair value.

Collectability of receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified.

BAD AND DOUBTFUL DEBT PROVISION

The provision for bad and doubtful debts are reviewed on an ongoing basis. Management estimates and assumptions are based on historical loss experience. Historical loss experience is adjusted based on current observable data. The methodology and assumptions used for estimating future cash flows are reviewed regularly and updated for actual payment history.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(A) PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment of \$4.0m (2017: \$4.5m) primarily includes computer and equipment, furniture fittings and leasehold improvements. During the period, the Group purchased property, plant and equipment of \$1.3m and recognised depreciation of \$1.8m.

RECOGNITION AND MEASUREMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

USEFUL LIFE OF ASSETS

Depreciation is calculated on the straight-line basis over the estimated useful life of the specific assets as follows:

- Plant and equipment - 3 to 5 years

(B) INTANGIBLE ASSETS

	CORE TECHNOLOGY	WORK IN PROGRESS	PATENTS	CUSTOMER CONTRACTS	GOODWILL	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At 1 July 2016	13,000	-	126	-	-	13,126
Additions	1,641	661	-	-	-	2,302
Acquisition of a subsidiary (restated*)	27,008	-	-	15,352	23,575	65,935
At 30 June 2017	41,649	661	126	15,352	23,575	81,363
Additions	10,517	976	14	-	-	11,507
Transferred	1,374	(1,374)	-	-	-	
At 30 June 2018	53,540	263	140	15,352	23,575	92,870
Amortisation						
At 1 July 2016	(2,167)	-	-	-	-	(2,167)
Amortisation	(2,687)	-	-	-	-	(2,687)
At 30 June 2017	(4,854)	-	-	-	-	(4,854)
Amortisation	(10,619)	-	(20)	(4,882)	-	(15,521)
At 30 June 2018	(15,473)	-	(20)	(4,882)	-	(20,375)
Net book value						
At 30 June 2018	38,067	263	120	10,470	23,575	72,495
At 30 June 2017 (restated*)	36,795	661	126	15,352	23,575	76,509

* The core technology, customer contracts and goodwill are restated and do not correspond to the figures in 2017 financial statements since adjustments to the final valuation of acquisition of Touchcorp were made, as detailed in Note 4.

INTANGIBLE ASSETS – RECOGNITION AND MEASUREMENT

GOODWILL

On acquisition, goodwill is initially measured at the excess of the fair value of the purchase consideration of the acquired business over the fair value of the identifiable net assets.

Goodwill is allocated to each of the cash generating units expected to benefit from the business combination. Goodwill is not amortised, but is measured at cost less any accumulated impairment losses. Impairment

is reviewed annually or more frequently if circumstances arise which indicate potential impairment. The results of the impairment test outlines that each cash generating unit's recoverable amount exceeds the carrying value of its net assets, inclusive of goodwill.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing for impairment, the Group's assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or cash generating units. Assets apart from goodwill that have previously recognised impairment in the past are reviewed for possible reversal at the end of each reporting period.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets useful lives are assessed to be either finite or indefinite.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred.

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The ability to measure reliably the expenditure during development;
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

USEFUL LIFE OF ASSETS

INTANGIBLE ASSETS

A summary of the policies applied to the Group's intangible assets is as follows:

	PATENTS	CORE TECHNOLOGY	CUSTOMER CONTRACTS
USEFUL LIVES	Finite	Finite	Finite
AMORTISATION METHOD USED	20 years – Straight-line	5 years – Straight-line	2–4 years – Straight-line
INTERNALLY GENERATED / ACQUIRED	Acquired	Acquired and Internally generated	Acquired
IMPAIRMENT TESTING	Amortisation method reviewed at every reporting period. Reviewed annually for indicators of impairment	Amortisation method reviewed at every reporting period. Reviewed annually for indicators of impairment.	Amortisation method reviewed at every reporting period. Reviewed annually for indicators of impairment

IMPAIRMENT TESTS FOR GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

This is the first year the Group performed its annual impairment test, post the merger in June 2017. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. At 30 June 2018, the market capitalisation of the Group was significantly greater than the Group's equity book value, indicating no potential impairment of goodwill and impairment of the assets of the cash generating units. In addition, the Group performed a detailed impairment review of the goodwill and intangible assets and concluded that there was no impairment recognised for the year ended 30 June 2018.

The Group allocated goodwill to Pay Later and Pay Now which are the two operating segments expected to benefit from the business combination.

A summary of the allocation is presented below:

	PAY LATER	PAY NOW	TOTAL SEGMENTS
	\$'000	\$'000	\$'000
Core technology	25,709	12,358	38,067
Work in progress	263	-	263
Patents	-	120	120
Customer contracts	-	10,470	10,470
Goodwill allocation	21,220	2,355	23,575
Total intangible assets	47,192	25,303	72,495

PAY LATER SEGMENT

The estimated net value in use of the Pay Later operating segment at 30 June 18, which has been determined based on the cash flow projections from financial budgets reviewed and approved by senior management covering one year period. The pre-tax discount rate applied to cash flow projections is 15.9% and cash flows have been extrapolated using the most conservative approach compared to historical growth experienced by the segment, which ranges between 3%-7.5% and a terminal growth rate less than 3% has been used.

PAY NOW SEGMENT

The recoverable amount of the Pay Now operating segment is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering one-year period. The pre-tax discount rate applied to cash flow projections is 13.4% and the projected cash flows are assumed to be stable for the Pay Now segment and the terminal growth rate is the expected industry growth rate of less than 3%.

The recoverable amount of the intangible assets in both segments exceeds the carry value at 30 June 2018. A change of +/-1 and 2 times of the income and expense adjustment factor does not result in an impairment of intangible assets at 30 June 2018.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The asset impairment assessment process requires significant management judgement. In determining whether goodwill has been impaired, an estimate of the recoverable amount of the cash generating unit is required using a discounted cash flow methodology. This calculation uses cash flow projections based on operating budgets and a one-year strategic business plan, after which a terminal value, based on management's view of the expected long-term growth profile of the business is applied. The implied pre-tax discount rate which is utilised is calculated with reference to long-term government bond rates, external analyst views and the Group's pre-tax cost of debt. The determination of cash flows over the life of an asset requires management judgement in assessing the future number of merchant acquisitions, customer usage, potential price changes as well as any changes to the costs of the product and of other operating costs incurred by the Group.

11. INTEREST BEARING BORROWINGS

	CONSOLIDATED	
	2018	2017
	\$'000	\$'000
Secured interest bearing borrowings	111,593	46,748
Senior unsecured notes	49,491	-
Convertible notes	128	-
Finance lease liability	393	-
Total interest bearing borrowings	161,605	46,748

The secured interest bearing borrowings have been drawn down under a \$350m two-year facility with NAB. The loan is repayable on the maturity date which is 30 November 2019. The facility has been secured against Afterpay Australia's receivables with a carrying value of \$221.9m as at 30 June 2018. As at 30 June 2018, the facility carries a weighted average of interest of 3.8% per annum (2017: 4.6%) and an unused balance of \$238.4m.

The senior unsecured notes were issued to institutional and professional investors for a fixed rate of 7.25% over four-year maturity with interest payable every six-month period.

The convertible notes represent US\$0.1m issued to Matrix Partners. The notes carry a fixed interest rate of 6% for 7 years. The notes have a conversion period of 5 to 7 years from the date of issue, with conversion at the noteholder's election. Conversion value is based on up to 10% of the future value of Afterpay US more than US\$50m, to be determined by independent valuation using valuation metrics, multiples and methods which the market is using to value Afterpay Touch at the time of conversion. The conversion value will be issued in the form of Afterpay Touch shares, valued at the market price of Afterpay Touch shares at the relevant time.

The finance lease liability represents the remaining outstanding office fitout expenditure with a proportion payable within the next 12 months.

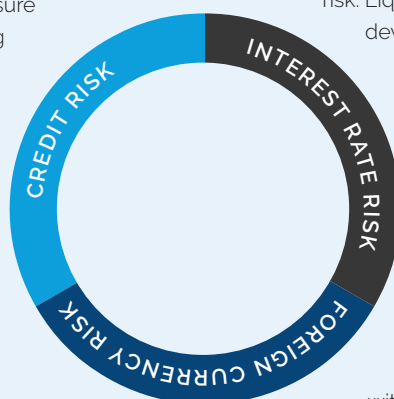
The Group also holds a NZ\$20m facility with ASB to assist the Group's New Zealand operations, as at balance date there were no drawdowns on this facility,

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits, other financial assets and secured interest-bearing borrowings.

The Group manages its exposure to key financial risks, including interest rate, credit, liquidity and currency risk in accordance with the Group's financial risk management policy. The objective of which is to support the delivery of the Group's financial targets, whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.



These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange, and by depositing funds with a number of different banking institutions. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Group's risk exposures and responses are as follows:

CREDIT RISK

Credit risk arises from the financial assets of the Group. The Group's exposure to credit risk arises from potential default of the end-customer receivable, with a maximum exposure equal to the carrying amount of these instruments.

The Group utilises its proprietary risk decisioning rules to mitigate credit risk. The Group also regularly reviews the adequacy of the provision for doubtful debts to ensure that it is sufficient to mitigate the credit risk exposure in terms of financial reporting. The provision for doubtful

debts raised represents management's best estimate of losses incurred at reporting date based on historical loss experience and their experienced judgement.

FOREIGN CURRENCY RISK

The Group's balance sheet can be affected by movements in the Euro, Swiss Franc, US Dollars, Singapore Dollars, Malaysian Ringgit, New Zealand Dollars, Norwegian Krone and Swedish Krona.

The Group has transactional currency exposures arising from sales and purchases by both Pay Later and Pay Now business.

INTEREST RATE RISK

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing borrowings.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED 2018 \$'000	CONSOLIDATED 2017 \$'000
Financial assets		
Cash and cash equivalents	25,457	29,702
Other financial asset	23,741	8,893
Term deposits (other current assets)	2,165	100
Subtotal financial assets	51,363	38,595
Financial liabilities		
Secured interest bearing borrowings	111,593	46,748
Subtotal financial liabilities	111,593	46,748
Net exposure	(60,230)	(8,153)

The Convertible Note and Senior Unsecured Notes issued by the Group during the period are on a fixed interest rate term, consequently they are not exposed to interest rate risks.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

SENSITIVITY TO REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT		EQUITY	
	HIGHER/(LOWER)	HIGHER/(LOWER)	HIGHER/(LOWER)	HIGHER/(LOWER)
	2018	2017	2018	2017
	\$'000		\$'000	
-0.25% (25 basis points)	105	14	105	14
+1.00% (100 basis points)	(422)	(57)	(422)	(57)

If there is reduction in interest rates, the Group's post tax profit should be better. The Group has higher interest bearing borrowings compared to the cash balances at the balance sheet date.

Significant assumptions used in the interest rate sensitivity analysis include:

- Management believes that interest rates will remain constant during the 12 month period subsequent to balance date.
- The net exposure at balance date being representative of what the group was and is expecting to be exposed to in the next twelve months from balance date.

At 30 June 2018, the Group has the following exposure to foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED 2018 \$'000	CONSOLIDATED 2017 \$'000
Financial assets		
Cash and cash equivalents		
NZD	670	-
USD	19,981	-
Other	6	41
Receivables and other current assets		
NZD	5,422	154
USD	7,694	-
EUR	245	-
CHF	308	206
Other	36	102
	34,362	503
Financial liabilities		
Trade and other payables		
- NZD	761	-
- USD	2,958	-
- EUR	144	98
- CHF	166	83
- Other	19	301
	4,048	482
Net exposure	30,314	21

SENSITIVITY TO REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT		EQUITY	
	(HIGHER)/LOWER		(HIGHER)/LOWER	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
AUD/NZD +10%	(339)	-	339	-
AUD/NZD -5%	196	-	(196)	-
AUD/USD +10%	(1,573)	3	1,573	(3)
AUD/USD -5%	911	(2)	(911)	2
AUD/EUR +10%	(6)	(4)	6	4
AUD/EUR -5%	4	2	(4)	(2)
AUD/CHF +10%	(9)	(8)	9	8
AUD/CHF -5%	5	5	(5)	(5)
AUD/Other +10%	(1)	7	1	(7)
AUD/Other -5%	1	(4)	(1)	4

MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITY BASED ON MANAGEMENT'S EXPECTATION

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our operations such as plant and equipment and investments in working capital. These assets are considered in the Group's overall liquidity risk. The Group continues to remain conservatively leveraged with significant headroom in its existing facilities supported by a large and growing receivables balance. The Group had increased its funding diversification and tenor to the Group's maturity profile through the issuance of 4-year senior unsecured notes to institutional and professional investors.

	<1 YEAR \$'000	1-2 YEARS \$'000	2-3 YEARS \$'000	>3 YEARS \$'000	TOTAL \$'000
Year ended 30 June 2018					
Financial assets					
Cash and cash equivalents	25,457	-	-	-	25,457
Term deposits (other current assets)	2,165	-	-	-	2,165
Other financial asset	23,741	-	-	-	23,741
Receivables	239,068	-	-	-	239,068
Total financial assets	290,431	-	-	-	290,431
Financial liabilities					
Trade and other payables	42,916	-	-	-	42,916
Interest bearing borrowings	4,240	112,239	-	-	116,479
Senior unsecured notes	3,625	3,625	3,625	53,625	64,500
Convertible notes	-	-	-	192	192
Financial lease liability	94	94	94	258	540
Total financial liabilities	50,875	115,958	3,719	54,075	224,627
Net maturity	239,556	(115,958)	(3,719)	(54,075)	65,804

The carrying value of financial assets and liabilities is materially the same as fair value.

SIGNIFICANT ACCOUNTING POLICIES

FAIR VALUE MEASUREMENT

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

LOANS AND BORROWINGS

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

13. SHARE-BASED PAYMENTS PLANS

SIGNIFICANT ACCOUNTING POLICIES

Benefits are provided to certain employees of the Group in the form of shared based payments through share options, performance rights and loan shares. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. Settlement of share options upon vesting are recognised as contributed equity.

Where the transaction is with a non-employee, the cost is based on the fair value of the asset or service received. That cost is recognised, together with a corresponding increase in other capital reserves or share capital in equity, over the period in which the performance and/or service conditions are fulfilled and/or the asset or service is delivered/received.

The fair value of the options or loan shares are determined using a Binomial model. This expense takes into account the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions. Non-market vesting conditions are taken into account when considering the number of options expected to vest and at the end of each reporting period, the Group revisits its estimate. Revisions to the prior period estimate are recognised in the income statement and equity.

The fair value of performance rights is determined in accordance with the fair market value of the shares available at the grant date. The fair value of performance rights has been calculated using the five-day volume weighted average price (VWAP) of the five trading days immediately preceding grant date.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The value of the US business was a significant estimate used to determine the fair value of the options issued under the US ESOP and the fair value of the share-based payments component of the Matrix convertible note.

The fair value of the services received by non-employees in exchange for share options also requires management judgement.

The determination of the fair value of the loan shares for the Group Head require judgement and have been determined based on the 30 June 2018 share price as an input into the Binomial model.

Some of the inputs to the Binomial model require application of significant judgement.

The Group has employee share option plans (ESOPs) for both Australian (APT ESOP) and US (US ESOP) employees. These plans align the interests of employees with the objectives of the Group and provide incentives to Executive Directors, senior executives and staff. Under the ESOP plans, awards are made to employees who have an impact on the Group's performance. ESOP awards are delivered in the form of options over shares which vest over a number of years subject and also to meet certain performance measures..

The Australian share options are subject to an average of two to three-year service period. The US share options are subject to an average of 4 year service period. The options under both plans have graded vesting terms.

The Group had also issued performance rights to certain senior executives and staff as part of the incentive plan. The performance rights vest between 1 – 2 years, and are subject to service conditions.

Certain executives have been provided loan shares with non-interest bearing, limited recourse loans from the Group for the sole purpose of acquiring shares in the Group. Under AASB 2 *Share-Based Payment*, these shares and loans are treated as "in substance options" even where the equity instrument itself is not a share option.

ADDITIONAL INFORMATION ABOUT THE US ESOP

The US share options are options for shares in the Afterpay US Inc. entity (US ESOP). Upon exercise of the options, the US option holders will have an ownership interest of up to 10% of Afterpay US Inc. Per the terms of the US ESOP, the exercised shares will automatically convert into fully paid ordinary shares of APT if the conversion option of the convertible note is exercised from January 2023 to January 2025 (as discussed in Note 11). Conversion into APT shares may also occur at the discretion of the APT Board if the convertible note is not converted and expires. The number of APT shares issued will be based on the fair value of the US shares at the date of conversion compared to the VWAP of APT shares.

CONVERTIBLE NOTE

The Group determined the US\$100k convertible notes subscribed by Matrix included a share-based payment component, for services to be delivered by Matrix. The fair value of the convertible notes when issued of US\$1.7m exceeded their face value and was determined to be a share-based payment in accordance with AASB 2.

ESOP	2018	2018	2018	2018	2017	2017	2017
	WAEP				NUMBER	NUMBER	WAEP
	SHARE OPTIONS NUMBER	PERFORMANCE RIGHTS NUMBER	SHARE OPTIONS	PERFORMANCE RIGHTS	SHARE OPTIONS NUMBER	PERFORMANCE RIGHTS NUMBER	SHARE OPTIONS
	'000	'000	\$	\$	'000	'000	\$
Outstanding at the beginning of the year	18,431	155	0.94	-	14,475		0.41
Granted during the year under APT ESOP ¹	5,438	-	5.05	-	2,047	155	2.34
Granted during the year under US ESOP	6,992	-	0.25	-	-	-	-
Forfeited during the year	(147)	(12)	2.28	-	(100)		1.00
Exercised during the year	(808)	(108)	2.82	-	(87)		1.72
Issued at merger	-	-	-	-	2,096		3.11
Outstanding at the end of the year	29,906	35	1.58	-	18,431	155	0.94
Exercisable at the end of the year	11,718	-	0.90	-	6,482	50	0.83

1. Options granted do not include 2m Loan Shares to be granted to the Group Head which is still subject to approval from shareholders. Although such approval has not yet been received, these Loan Shares have been included in the Share-Based Payments Expense for the time that the Group Head was employed in that capacity, based on a fair value estimate, utilising the year end share price. The actual fair value will be determined upon shareholder approval when the loan shares are officially granted and any fair value adjustments will be recognised at that time.

The fair value of the convertible notes was determined by using the multi-stage process, which involved calculating the equity value of Afterpay US Inc., which was then used as an input into the Binomial Model. The share-based payments will be recognised over the expected period the services will be performed, currently estimated at 5 years.

The table above illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the period.

The fair value of the equity-settled share options granted under the ESOP was calculated using the Binomial Model with following assumptions:

	2018	2017	2018	2018
	APT ESOP	US ESOP	MATRIX CONVERTIBLE NOTE	
Expected volatility	40%	40%	60%	60%
Risk-free interest rate	2.07%	2.10%	2.52%	2.66%
Expected life (years)	4	4	5	7
Dividend yield	0%	0%	0%	0%

14. KEY MANAGEMENT PERSONNEL

COMPENSATION OF KEY MANAGEMENT PERSONNEL	CONSOLIDATED	AFTERPAY
	2018	2017
	\$	\$
Short-term employee benefits	2,656,938	2,089,097
Post employment benefits	137,992	191,918
Other long-term benefits	7,984	7,875
Termination benefits	-	93,750
Share-based payment (non-cash)	12,358,437	1,115,887
Total compensation	15,161,351	3,498,527

15. EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the loss attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the year and the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	CONSOLIDATED		AFTERPAY	
	2018		2017	
	\$'000		\$'000	
Loss attributable to ordinary equity holders of the Parent for basic earnings	(9,021)		(9,620)	
		'000		'000
		NUMBER		NUMBER
Weighted average number of ordinary shares for basic EPS	214,551		175,463	
Effect of dilution from:				
Share options	16,487		6,482	
Weighted average number of ordinary shares adjusted for the effect of dilution	231,038		181,945	

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

16. CONTRIBUTED EQUITY AND RESERVES

A ORDINARY SHARES

	CONSOLIDATED		CONSOLIDATED	
	2018		2017	
	\$'000		\$'000	
Issued and fully paid	192,628		171,411	

B MOVEMENT IN ORDINARY SHARES ON ISSUE

	'000		'000	
	NUMBER		NUMBER	\$
At 1 July 2016	165,000		41,507	
Share issue	15,000		36,000	
Share options exercised	87		150	
Acquisition of a subsidiary	32,322		94,848	
Share issue expenses (net of tax)	-		(1,094)	
At 30 June 2017	212,409		171,411	
Shares issued	2,880		18,700	
Share options exercised	916		2,720	
Share issue expenses (net of tax)	-		(203)	
At 30 June 2018	216,205		192,628	

C CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure the entity continues as a going concern, as well as to provide optimal returns to shareholders and benefits for other stakeholders. The Group constantly reviews the capital structure and the level of return on assets.

SIGNIFICANT ACCOUNTING POLICIES

CONTRIBUTED EQUITY

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

17. RELATED PARTY DISCLOSURE

ULTIMATE CONTROLLING ENTITY

The ultimate controlling entity is Afterpay Touch Group Limited, otherwise described as the parent company.

SUBSIDIARIES

The consolidated financial statements include the financial statements of Afterpay Touch Group Limited and its subsidiaries. These are listed in the following table:

	COUNTRY OF INCORPORATION	% EQUITY INTEREST	
Afterpay Pty Ltd*	Australia	100%	
Afterpay Holdings Limited*	Australia	100%	
Afterpay Warehouse Trust	Australia	100%	
Afterpay Touch Group No.2 Pty Ltd*	Australia	100%	INCORPORATED IN THE PERIOD
Afterpay US Inc.	United States	100%	INCORPORATED IN THE PERIOD
Afterpay NZ Limited	New Zealand	100%	INCORPORATED IN THE PERIOD
Touchcorp Ltd*	Bermuda	100%	
Touch Holdings Pty Ltd*	Australia	100%	
Touch Networks Australia Pty Ltd*	Australia	100%	
Touch Australia Pty Ltd*	Australia	100%	
Touch Networks Pty Ltd*	Australia	100%	
Touchcorp Singapore Pte Ltd	Singapore	100%	
Touch Networks Payments (Malaysia) Sdn Bhd	Malaysia	100%	

*Refer to Note 19 for further information on the parties to a deed of cross guarantee

During the year, payment relating to consulting services totalling \$5,000 were made by the Group companies to Finarch Pty Ltd, a related entity of David Hancock. This payment related to the outstanding balance from the 2017 financial year prior to David Hancock assuming the role of Group Head.

Dana Stalder joined the Board during the year as part of the US\$15m investment from Matrix Partners, a venture capital firm of which Dana Stalder is a General Partner.

18. INFORMATION RELATING TO AFTERPAY TOUCH GROUP LIMITED

(THE PARENT)

	2018	2017
	\$'000	\$'000
Current assets	67,285	-
Non-current assets	160,778	160,778
Total assets	228,063	160,778
Current liabilities	(6,011)	(384)
Non-current liabilities	(49,492)	-
Total liabilities	(55,503)	(384)
Net assets	172,560	160,394
Issued capital	181,927	160,778
Reserves	11,198	128
Accumulated losses	(20,565)	(512)
Total equity	172,560	160,394
Loss of the parent entity	(20,053)	(384)
Total comprehensive loss of the Parent entity	(20,053)	(384)

19. DEED OF CROSS GUARANTEE

The subsidiaries identified with the following symbol "*" in Note 17 "Related Party Disclosure" are parties to a deed of cross guarantee under which each guarantees the debts of the others. By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instruments 2016/785.

These subsidiaries and Afterpay Touch Group Limited together referred to as the "Closed Group", originally entered the Deed on 29 November 2017. The effect of the Deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group. The Consolidated Statement of Financial Position of the entities which are members of the Closed Group is as follows:

	CONSOLIDATED
	2018
	\$'000
Assets	
Current assets	
Cash and cash equivalents	18,957
Receivables	227,093
Other current assets	17,093
Total current assets	263,143
Non-current assets	
Property, plant and equipment	3,902
Intangible assets	30,766
Deferred tax asset	13,795
Other non-current assets	875
Total non-current assets	49,338
Total assets	312,481
Liabilities	
Current liabilities	
Trade and other payables	39,546
Employee benefit provision	1,785
Unearned income	252
Interest bearing liability	50
Income tax payable	1,481
Total current liabilities	43,114
Non-current liabilities	
Employee benefit provision	157
Related party borrowing	64,118
Interest bearing liability	49,833
Lease fit out	365
Total non-current liabilities	114,473
Total liabilities	157,587
Net assets	154,894
Equity	
Contributed equity	166,264
Accumulated losses	(25,862)
Reserves	14,492
Total equity	154,894

DEED OF CROSS GUARANTEE	CONSOLIDATED
	\$'000
Consolidated statement of Comprehensive Income	
Profit before income tax	2,708
Income tax expense	(4,332)
Loss after income tax	(1,624)

As the Deed was entered during the current financial year, a reconciliation of open retained earnings to closing balance has not been presented for the current reporting period.

At 30 June 2018, the Consolidated Statement of Financial Position reflected an excess of current assets over current liabilities of \$220.0m. The Directors are not aware of any uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern at 30 June 2018.

20. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into commercial leases for its registered offices in Melbourne and Sydney. The lease for Singapore office was terminated in August 2017. The Group has also entered into leases for a data centre and associated communication costs, and an agreement of the supply of terminals. There are no restrictions placed upon the lessee by entering into this lease. Future minimum rentals payable under the non-cancellable operating lease are as follows:

	2018	2017
	\$'000	\$'000
Within one year	1,864	1,285
After one year but not more than five years	3,174	3,473
Total minimum lease payments	5,038	4,758

LEGAL COMMITMENTS AND CLAIMS

Claims can be raised by customers and suppliers against the Group in the ordinary course of business. There were no outstanding claims at 30 June 2018 which required recognition of a provision or contingent liability.

BANK GUARANTEES

The Group has entered into a bank guarantee arrangement totalling \$2.2m of which \$2.0m has been cross guaranteed as part of a consolidated sub-agency agreement. The remaining guarantee is part of the Group's normal business operations.

SIGNIFICANT ACCOUNTING POLICIES

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of the specific asset and the arrangement conveys a right to use the asset.

GROUP AS A LESSEE

Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases are recognised as a lease asset and lease liability in the consolidated statement of financial position, calculated at the present value of the minimum lease payment

at inception of the lease. Depreciation of the lease asset is recognised on a straight-line basis through the consolidated statement of comprehensive income. A proportion of the lease payment is assigned as a finance charge in the statement of comprehensive income with the remainder allocated as a reduction in the lease liability in the consolidated statement of financial position.

21. AUDITOR'S REMUNERATION

	CONSOLIDATED	AFTERPAY
	2018	2017
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated Group	371,145	253,610
• Other services in relation to the entity and any other entity in the consolidated Group	159,208	180,500
- Accounting assistance for new accounting standards implementation	130,000	-
- Due diligence in relation to the Merger with Touchcorp	-	147,000
- Tax compliance, grant assistance & planning	-	33,500
- Other non-audit services	29,208	-
Total auditor's remuneration	530,353	434,110

22. EVENTS AFTER THE BALANCE SHEET DATE

CLEARPAY

Subsequent to 30 June 2018, the Group entered into a Share Purchase Agreement (SPA) to acquire ClearPay Finance Limited (ClearPay), an entity 100% owned by ThinkSmart Limited (ThinkSmart). ClearPay is a U.K. based payments company through which customers can purchase items up to £450 in value and make repayments in three interest-free monthly instalments. The acquisition completed on 23 August 2018, however ThinkSmart will continue to operate the business for a period of approximately 90 days from the completion date.

Under the SPA, the Group will acquire 90% of the issued shares in ClearPay for total consideration of 1m APT shares. The Group also has an option to acquire the remaining shares held by ThinkSmart, exercisable any time after 5 years from completion based on agreed valuation principles. The consideration for the remaining 10% can either be paid in cash or APT shares.

CAPITAL MANAGEMENT

The receivables financing facility limit provided by NAB was reduced from \$350m to \$300m on 15 August 2018 to reflect the cash proceeds from the \$50m senior unsecured notes issued by the Group in April 2018.

On 22 August 2018, the Group incorporated Citi as an additional lender into the existing NAB Australian warehouse receivables facility, providing an additional \$200m of funding capacity. This increased the total facility limit to fund Australian originated receivables to \$500m.

The Group is undertaking a fully underwritten Institutional Placement to eligible investors, to raise at least \$108.1m to fund Afterpay's international expansion strategy.

Pricing will be determined via an institutional bookbuild, with an underwritten floor price of \$15.75 per share. The underwritten floor price represents a 9.9% discount to the 5 day VWAP to close of trade on 22 August 2018. New shares issued under the Placement will rank equally with the Group's existing shares.

Other than noted above, no other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

23. OTHER SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards and interpretations which are considered relevant to the Group have been issued and amended by the AASB but are not yet effective for the period ending 30 June 2018.

SUMMARY

AASB 9 FINANCIAL INSTRUMENTS

AASB 9 (December 2014) replaces AASB 139 *Financial instruments: Recognition and Measurement*. This new version supersedes those previously issued. The incurred loss model in AASB 139 has been replaced with a single, forward-looking 'expected loss' impairment model under AASB 9. This results generally in the recognition of impairment earlier than was previously required under AASB 139.

AASB 9 requires the Group to recognise expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income, with the

exception for investments in equity instruments, and contract assets arising under AASB 15 *Revenue from Contracts with Customers* on the following bases:

- 12-month expected credit losses which result from default events on a financial instrument that are possible within 12 months after the reporting date; or
- if there is a significant increase in credit risk from initial recognition, then lifetime expected credit losses which result from all possible default events over the expected life of a financial instrument.

Lifetime expected credit loss measurement applies to Receivables and contract assets generated under AASB 15, without a significant financing component, due to the simplicity and short-term nature of these financial assets.

APPLICATION DATE OF STANDARD

1-Jan-18

IMPACT ON GROUP FINANCIAL REPORT

The Group will adopt AASB 9 on 1 July 2018 and will not restate comparative information. During the period, the Group has performed an impact assessment of AASB 9. This assessment which is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group will adopt AASB 9.

The adoption of AASB 9 impacts the Group's receivable balance which is measured at amortised cost. Lifetime expected credit loss measurement applies to the Group's receivables. This is due to the short contractual term of the portfolio with a maximum of 56 days, with the current average weighted duration to recoup end-customer payment being approximately 30 days.

Late fee income from consumers is currently recognised as 'Other Income' by the Group. The current treatment of recognising late fees when they are expected to be recovered will continue.

Based on the Group's current assessment, a reduction in the opening retained earnings balance of \$2.9m (no profit and loss impact) for the adoption of AASB 9 is expected. This is due to the recognition of a higher credit loss allowance on contractual cash flows, including late fees, due to the Group.

Applying AASB 9 on a consistent basis by adjusting the opening position as at 1 July 2017 and including the credit losses for the financial year ending 30 June 2018, would result in bad and doubtful debts expense being higher by \$1.6m and net receivables being lower by \$2.9m at 30 June 2018.

APPLICATION DATE FOR GROUP

1-Jul-18

SUMMARY

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 – *Revenue from contracts with customers* was issued by the AASB in December 2014 and replaces all revenue recognition requirements, including those as set out in AASB 118 – *Revenue*. The new standard attempts to remove inconsistencies and weaknesses in existing revenue recognition frameworks, improve comparability across entities, and simplify financial statement preparation by streamlining and reducing the volume of guidance.

The standard contains a single model that applies to all revenue arising from contracts. AASB 15 introduces a single principles-based five step model for recognising revenue and introduces the concept of recognising revenue when an obligation to a customer is satisfied. Application of AASB 15 is expected to have varying levels of impact across the Group's two segments – Afterpay and Pay Now. Afterpay generates revenue from end consumers ordering goods and services from merchants integrated on the Afterpay platform. The Pay Now business generates revenue through transaction processing and professional services with specific performance obligations.

AASB 15 requires the Group to apply the standard in accordance with other applicable accounting standards, specifically, AASB 9. Regarding Afterpay, revenue recognised from the merchant is collected through the consumer receivable and is a financial asset, as it is a contract to receive cash flows. On initial assessment, the Group has determined that a portion of merchant revenue must initially be recognised under AASB 9 – *Financial Instruments*. AASB 9 states that after initial recognition, entities shall classify financial assets at amortised cost using the effective interest method (EIR). The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset.

APPLICATION DATE OF STANDARD

1-Jan-18

IMPACT ON GROUP FINANCIAL REPORT

The Group will adopt AASB 15 and AASB 9 on 1 July 2018 and will not restate comparative information. During the period, the Group has performed an impact assessment of AASB 15 and AASB 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the 2019 financial year when the Group will adopt the new standards.

The adoption of AASB 9 impacts the Afterpay customer receivable balance which is measured at amortised cost. Under AASB 9, merchant revenue is to be recognised over the life of the associated consumer receivable. With the current average weighted duration to recoup end-customer payment being approximately 30 days, the Group will defer revenue over the average time it takes for the collection of the receivable to occur. Based on the Group's current assessment, deferring the entire merchant fee on an effective interest basis results in a reduction in opening retained earnings of \$4.9m for the recognition and adoption of AASB 9, this is in addition to the adjustment for provisioning of \$2.9m noted above. A deferral of merchant fee revenue in this manner is a timing difference only and does not affect the receipt in cash when an order is processed.

The Group is still finalising its analysis of the potential impacts to the Pay Now segment. Evaluation to date has focused primarily on Pay Now's transaction processing revenue as this accounts for the majority of the segment's revenue. To date, no material measurement differences or opening retained earnings differences have been identified between AASB 118, the current revenue recognition standard, and AASB 15.

APPLICATION DATE FOR GROUP

1-Jul-18

SUMMARY

AASB 16 LEASES

In February 2016, AASB issued AASB 16 '*Leases*', which replaces the current guidance in AASB 117 '*Leases*'.

The new standard significantly changes accounting for lessees requiring recognition of all leases on the balance sheet, including those currently accounted for as operating leases. A lessee will recognise liabilities reflecting future lease payments and 'right-of-use assets', initially measured at a present value of unavoidable lease payments. Depreciation of leased assets and interest on lease liabilities will be recognised over the lease term.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases and account for them as operating leases or finance leases.

There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

APPLICATION DATE OF STANDARD

1-Jan-19

IMPACT ON GROUP FINANCIAL REPORT

The Group has assessed the impact of the adoption of AASB 16, which is not expected to result in a material impact to the Group's financial report.

APPLICATION DATE FOR GROUP

1-Jul-19

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Afterpay Touch Group Limited, I state that:

In the opinion of the Directors:

- a. The financial statements and notes of Afterpay Touch Group Limited for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2018 and of the Group's performance for the year ended on that date; and
 - (ii) Complying with Accounting standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.
- b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
- c. The remuneration disclosures set out in the Directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and
- d. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in the financial statements.

The Directors have been given the declarations by the Group Head required by section 295A of the *Corporations Act 2001*.

On behalf of the Board.



Anthony Eisen

Executive Director
Melbourne
23 August 2018



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Afterpay Touch Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Afterpay Touch Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Merger transaction

Why significant

On 19 June 2017 the merger of Touchcorp Limited and Afterpay Holdings Limited was completed. The transaction was accounted for as an acquisition of Touchcorp Limited by Afterpay Holdings Limited.

There was judgment involved in determining the transaction purchase price, the fair value of net assets acquired, the acquirer and the acquisition date.

Due to the significance of the transaction and the magnitude of the goodwill arising from the acquisition of \$23.6 million, this was considered a key audit matter.

Accounting for the acquisition of Touchcorp Limited is final and is disclosed in Note 4 of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the terms and conditions of the merger agreement, as well as agreeing key terms to underlying evidence including contracts, Scheme booklets and final shareholder votes.
- ▶ Examined the Group's determination and valuation of the assets acquired and liabilities assumed. We considered whether there were any other identifiable intangible assets acquired by using our knowledge of the industry and assessing the terms of the acquisition agreements.
- ▶ Assessed the competence, qualifications and objectivity of the experts engaged by the Group to assist with the identification and valuation of assets acquired.
- ▶ Assessed the key assumptions and valuation methodology used by the Group considering external market data, which involved the input of our valuation specialists.
- ▶ Assessed the adequacy of the Group's disclosures in the financial report in respect of the merger.

Doubtful debts provision

Why significant

The nature of the Group's business is to assume the credit risk of merchant transactions with consumers.

The model used to calculate the doubtful debt provisions is performed manually using daily payment data and applied to the receivables balance.

Due to the significance and magnitude of receivables and the judgment associated with the doubtful debt provision in determining the recoverability of the amounts outstanding at balance date, this was considered a key audit matter.

The Group's disclosure for the doubtful debts provision is disclosed in Note 9 of the financial report.

How our audit addressed the key audit matter

Our audit procedures over the doubtful debt provision and related consolidated statement of comprehensive income expense included the following:

- ▶ Assessed and analysed all the key assumptions and methodology applied in the model, including payment and ageing history, and compared these assumptions to the prior periods.
- ▶ Tested the integrity of the generation of the debtors ageing reports used in the provisioning process.
- ▶ Assessed the adequacy of the provision against the aged balances, particularly on balances that were past due but not impaired.



Capitalisation of internally generated intangible assets

Why significant

The Group's revenue is generated through the processing of transactions with its customers through its internally developed software platforms, disclosed as Core Technology in Note 10 of the financial report.

Costs incurred during the year that were capitalised to the Core Technology and Work in Progress totalled \$11.5 million.

Capitalised development costs was a key audit matter as product development is core to the Company's operations. This involves judgement to determine whether the costs meet the capitalisation criteria in accordance with Australian Accounting Standards.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Selected a sample of capitalised costs to determine the nature of the cost and assess whether the project met the capitalisation criteria set out in Australian Accounting Standards.
- ▶ Agreed a sample of capitalised employee costs to employee contracts and enquired with the Company regarding the related development activities that were undertaken and determined whether the sample of employees were directly involved in developing software. In addition, we assessed the effectiveness of the Group's key controls related to payroll processing.
- ▶ Assessed the useful life and amortisation rate allocated to capitalised development costs.
- ▶ Assessed the consistency of the capitalisation methodology applied by the Company in comparison to prior reporting periods.
- ▶ Assessed the adequacy of the disclosures included in Note 10.

Share based payments

Why significant

The Group has entered into a number of share based payment transactions with employees and consultants.

As disclosed in Note 13 of the financial report, a convertible note was issued to Matrix Partners during the period which the Group determined included a share based payment for unidentifiable services to be provided by Matrix Partners. The valuation of the share based payment also included complexity due to an input into the valuation being the valuation of Afterpay US, Inc. which had not commenced trading.

In addition, share options were issued to a number of employees of Afterpay US, Inc, a subsidiary of the Group. There is judgement required in determining the value of these awards as the issuing entity, Afterpay US, Inc, is a private company.

This was considered a key audit matter as there is judgement in determining that the convertible note contained a share based payment, as well as judgement involved in the valuation of Afterpay US, Inc. for both the share based payment for services and employee options.

How our audit addressed the key audit matter

We assessed the terms of the convertible note with Matrix Partners taking into consideration the requirements of Australian Accounting Standards, to assess whether there was a share based payment element of the convertible note.

The valuation of Afterpay US, Inc. was required at the grant date of the convertible note as well as the grant date for the employee options. The valuation was prepared by an external valuer engaged by the Group. To assess the valuation of Afterpay US, Inc. at both grant dates, we assessed, in conjunction with our valuations specialists:

- ▶ the cash flow assumptions in the forecast period;
- ▶ the discount rate applied;
- ▶ the treatment of working capital in the valuation, given the significant working capital requirements to fund customer receivables; and
- ▶ terminal growth rate and value assumptions.

In conjunction with our Valuations specialists, we assessed the other inputs into the valuation of the share based payments, mainly being the volatility applied.

We assessed the vesting terms and period for the recognition of the share based payment expense.

We also assessed whether all disclosures required by Australian Accounting Standards had been made and appropriately reflected the agreements and the calculations and estimates made.



Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group'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 Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 33 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Afterpay Touch Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

David McGregor
Partner

Melbourne
23 August 2018

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 21 August 2018 (Reporting Date).

CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Afterpay Touch Group's website (<https://www.afterpaytouch.com/corporate-governance/>) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Afterpay Touch Group, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Afterpay Touch Group's website (<https://www.afterpaytouch.com/corporate-governance/>).

SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

HOLDER OF EQUITY SECURITIES	CLASS OF EQUITY SECURITIES	NUMBER OF EQUITY SECURITIES HELD	% OF TOTAL ISSUED SECURITIES CAPITAL IN RELEVANT CLASS
Anthony Eisen	Ordinary Shares	22,500,000	10.33
Nicholas Molnar	Ordinary Shares	22,500,000	10.33

NUMBER OF HOLDERS

As at the Reporting Date, the number of holders in each class of equity securities:

CLASS OF EQUITY SECURITIES	NUMBER OF HOLDERS
Fully paid ordinary shares	26,121
Fully paid ordinary shares restricted	29
Options to acquire ordinary shares	28
Performance Rights	2

VOTING RIGHTS OF EQUITY SECURITIES

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the Reporting Date, there were 26,121 holders of a total of 217,776,619 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

DISTRIBUTION OF ORDINARY SHAREHOLDERS			
HOLDINGS RANGES	HOLDERS	TOTAL UNITS	%
1 – 1,000	15,979	6,071,362	2.79
1,001 – 5,000	7,630	18,195,037	8.35
5,001 – 10,000	1,361	10,261,699	4.71
10,001 – 100,000	1,058	27,053,705	12.42
100,001 – 999,999,999	93	156,194,816	71.72
Totals	26,121	217,776,619	100

LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES (UMP SHARES)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

TOTAL SHARES	UMP SHARES	UMP HOLDERS	% OF ISSUED SHARES HELD BY UMP HOLDERS	HOLDERS OF \$2.30 OPTIONS EXPIRING 31 DEC 2020
217,776,619	613	138	0.000003	-

TWENTY LARGEST SHAREHOLDERS

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

RANK	HOLDER NAME	BALANCE AS AT REPORTING DATE	%
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	25,214,915	11.58
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,220,857	10.66
3	ANTHONY MATHEW EISEN	22,500,000	10.33
4	NICHOLAS MOLNAR PTY LTD <NICHOLAS DAVID FAMILY A/C>	22,500,000	10.33

RANK	HOLDER NAME	BALANCE AS AT REPORTING DATE	%
5	ATC CAPITAL PTY LTD	9,984,000	4.58
6	CITICORP NOMINEES PTY LIMITED	5,552,737	2.55
7	NATIONAL NOMINEES LIMITED	5,206,297	2.39
8	ESTATE LATE ADRIAN CLEEVE	3,200,001	1.47
9	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,776,777	1.28
10	MATRIX PARTNERS X L P	2,717,394	1.25
11	UBS NOMINEES PTY LTD	2,242,545	1.03
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,208,977	1.01
13	FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	2,000,000	0.92
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,603,856	0.74
15	FIONA KATE HANCOCK	1,500,000	0.69
16	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,387,214	0.64
17	MR MICHAEL LESLIE JEFFERIES	1,280,000	0.59
18	BNP PARIBAS NOMS PTY LTD <DRP>	1,135,386	0.52
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,115,656	0.51
20	CLEEVECORP PTY LTD	1,000,450	0.46
	Total number of shares of Top 20 Holders	138,347,062	63.53
	Total Remaining Holders Balance	79,429,557	36.47

ESCROW

CLASS OF RESTRICTED SECURITIES	TYPE OF RESTRICTION	NUMBER OF SECURITIES	END DATE OF ESCROW PERIOD
Ordinary shares	Voluntary escrow	250,000	18-Oct-19
Ordinary shares	Voluntary escrow	1,440,213	16-Jan-21
Ordinary shares	Voluntary escrow	1,440,213	16-Jan-25
Ordinary shares	Voluntary escrow	1,138,400	On APT's instructions

UNQUOTED EQUITY SECURITIES

The number of each class of unquoted equity securities on issue, and the number of holders in each such class, are as follows:

CLASS OF EQUITY SECURITIES	NUMBER OF UNQUOTED EQUITY SECURITIES	NUMBER OF HOLDERS
Options to acquire ordinary shares	17,345,000	28
Performance Rights	35,000	2

No person holds 20% or more of any class of Unquoted Equity Securities on issue.

COMPANY SECRETARY

The Company's secretary is Ms Sophie Karzis.

REGISTERED OFFICE

The address and telephone number of the Company's registered office is:

Level 5, 406 Collins Street
Melbourne VIC 3000
Telephone: +61 1300 100 729

SHARE REGISTRY

The address and telephone number of the Company's share registry, Computershare Investor Services, are:

STREET ADDRESS:

Yarra Falls
452 Johnson Street
Abbotsford Victoria 3067
Telephone: 1300 137 328

STOCK EXCHANGE LISTING

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX). The Company was admitted to the official list of the ASX on 29 June 2017 (ASX issuer code: APT).

OTHER INFORMATION

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

CORPORATE INFORMATION

AFTERPAY TOUCH GROUP LIMITED

ABN 618 280 649

BOARD OF DIRECTORS

Anthony Eisen (Executive Chairman)

Nicholas Molnar (Executive Director and CEO of Afterpay)

Dana Stalder (Independent Non-Executive Director)

David Hancock (Executive Director and Afterpay Touch Group Head)

Elana Rubin (Independent Non-Executive Director)

Clifford Rosenberg (Independent Non-Executive Director)

AUSTRALIAN REGISTERED OFFICE

Level 5, 406 Collins Street

Melbourne VIC 3000 Australia

COMPANY SECRETARY

Sophie Karzis

Boardroom Limited

Level 7, 333 Collins Street

Melbourne VIC 3000

Phone: +61 3 9286 7500

SOLICITORS

Baker & McKenzie

Level 19, CBW

181 William Street

Melbourne Vic 3000

AUDITOR

Ernst & Young

Ernst & Young Building

8 Exhibition Street

Melbourne VIC 3000

SHARE REGISTRY

Computershare Investor Services

Yarra Falls

452 Johnston Street

Abbotsford Victoria 3067

Phone: 1300 137 328

web.queries@computershare.com.au

STOCK EXCHANGE LISTING

Afterpay Touch Group Limited shares are listed on the Australian Securities Exchange

 **afterpay**touch

