



TOUCHCORP LIMITED
(ASX: TCH)

ASX and Media Release

15 May 2017

Afterpay / Touchcorp Merger: Touchcorp Scheme Booklet

As announced earlier today, Touchcorp Limited (ARBN 603 731 184) (ASX:TCH) (**Touchcorp**) and Afterpay Holdings Limited (ACN 606 589 520) (ASX:AFY) (**Afterpay**) are proceeding with their proposed merger under a new Australian holding company called Afterpay Touch Group Limited (ACN 618 280 649) to be implemented by inter-conditional schemes of arrangement (**Merger**).

The following documents are attached to this announcement:

- Touchcorp Scheme Booklet, containing the Notice of Touchcorp Scheme Meeting; and
- Sample Proxy Form.

Touchcorp shareholders with questions in relation to the Touchcorp Scheme should contact their financial, legal, taxation or other professional adviser.

Touchcorp shareholders can also call the Shareholder Information Line on 1300 560 339 (within Australia) or +61 2 8011 0354 (outside Australia) between Monday and Friday from 9.00am to 5.00pm (AEST).

-ENDS

For further information please contact:

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Touchcorp Limited
ARBN 603 731 184
A company incorporated
in Bermuda and registered
as a foreign company
in Australia

Scheme Booklet

**In relation to a proposal from Afterpay Touch Group
to buy all of the ordinary shares in Touchcorp**

Vote in Favour

The Touchcorp Directors **unanimously recommend** that you **vote in favour** of the Touchcorp Scheme in the absence of a Superior Proposal

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Touchcorp Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser. If you have recently sold all your Touchcorp Shares, please ignore this Scheme Booklet. Touchcorp has established a Shareholder Information Line which you should call if you have any questions in relation to the Touchcorp Scheme. The telephone number for the Shareholder Information Line is 1300 560 339 (within Australia) and +61 2 8011 0354 (outside Australia). The Shareholder Information Line is open between Monday and Friday from 9.00am to 5.00pm (AEST).

**KING & WOOD
MALLESONS**

Legal adviser

Important Notices

General

Touchcorp Shareholders are encouraged to read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Touchcorp Scheme Meeting.

Purpose of Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Merger, and in particular, the Touchcorp Scheme and the manner in which the Touchcorp Scheme will be considered and implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of Touchcorp Shareholders whether or not to approve the Touchcorp Scheme.

This Scheme Booklet includes the explanatory statement required to be sent to Touchcorp Shareholders under section 100 of the Companies Act in relation to the Touchcorp Scheme.

Responsibility for information

The information contained in this Scheme Booklet other than the Afterpay Information, Afterpay Touch Group Information, the Independent Experts' Report and the Independent Limited Assurance Report has been prepared by Touchcorp and is the responsibility of Touchcorp. None of Afterpay or Afterpay Touch Group, or their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Touchcorp Information.

The Afterpay Information has been provided by Afterpay and is the responsibility of Afterpay. To the maximum extent permitted by law, none of Touchcorp or Afterpay Touch Group, or their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Afterpay Information.

The Afterpay Touch Group Information has been prepared by and is the responsibility of Afterpay Touch Group. To the maximum extent permitted by law, none of Touchcorp or Afterpay or their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Afterpay Touch Group Information.

RSM has prepared the Independent Expert's Report in relation to the Touchcorp Scheme contained in Annexure A and takes responsibility for that report. None of Touchcorp, Afterpay, Afterpay Touch Group or their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

Ernst & Young Transaction Advisory Services Limited has prepared the Independent Limited Assurance Report contained in Annexure B and takes responsibility for that report. None of Touchcorp, Afterpay, Afterpay Touch Group or their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Independent Limited Assurance Report.

ASIC and ASX

A copy of this Scheme Booklet was provided to ASIC. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet.

Bermudian Court

The orders of the Bermudian Court that the Touchcorp Scheme Meeting be convened are not and should not be treated as an endorsement by the Bermudian Court of, or any other expression of opinion by the Bermudian Court on the Touchcorp Scheme or the Merger.

Notice of Touchcorp Scheme Meeting

The Notice of Touchcorp Scheme Meeting is set out in Annexure E.

Future matters and intentions

Certain statements in this Scheme Booklet relate to the future. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Touchcorp, Afterpay or Afterpay Touch Group to be materially different from future results, performance or achievements expressed or implied by those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand. These statements only reflect views held as at the date of this Scheme Booklet.

Other than as required by law neither Touchcorp, Afterpay, Afterpay Touch Group nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned about relying on any such forward looking statements in this

Scheme Booklet. Additionally, statements of the intentions of Touchcorp, Touchcorp Directors, Afterpay Touch Group or Afterpay Touch Group directors reflect present intentions as at the date of this Scheme Booklet and may be subject to change.

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation and particular needs of individual Touchcorp Shareholders. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Merger, the Touchcorp Scheme or your Touchcorp Shares. Before making an investment decision in relation to the Touchcorp Scheme or your Touchcorp Shares, including any decision to vote for or against the Touchcorp Scheme, you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should consult your legal, financial or other professional adviser before making any investment decision in relation to the Touchcorp Scheme or your Touchcorp Shares.

Touchcorp Shareholders outside Australia

This Scheme Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

The historical financial information of Touchcorp and Afterpay included in this Scheme Booklet has been prepared in accordance with recognition and measurement requirements of Australian Accounting Standards ("AAS") and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The pro forma historical financial information of Afterpay Touch Group has been prepared in accordance with recognition and measurement requirements of AAS, other than it includes adjustments prepared in a manner consistent with AAS that reflect the (i) the exclusion of certain transactions that occurred in the relevant period and (ii) the impact of certain transactions as if they had occurred on 1 January 2016 in the pro forma historical consolidated income statement or on 31 December 2016 in the

pro forma historical consolidated statement of financial position. Australian disclosure requirements and AAS may differ from those applicable in other jurisdictions.

This Scheme Booklet and the Touchcorp Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. See section 9.10 for further detail.

Touchcorp Shareholders who are Ineligible Foreign Shareholders (which, as at the date of this Scheme Booklet, are expected to comprise those Touchcorp Shareholders with registered addresses in jurisdictions outside Australia and its external territories, New Zealand, and any other jurisdiction which Touchcorp and Afterpay Touch Group reasonably determine) will not be issued with new Afterpay Touch Group Shares but will receive a cash payment.

Taxation implications of the Touchcorp Scheme for Touchcorp Shareholders

Section 8 provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for certain Touchcorp Shareholders who are resident in Australia for tax purposes who dispose of their Touchcorp Shares to Afterpay Touch Group in accordance with the Touchcorp Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Touchcorp Shareholders.

Touchcorp Shareholders who are subject to taxation outside Australia should consult their tax adviser as to the applicable tax consequences of the Merger and the Touchcorp Scheme in the relevant jurisdiction.

Privacy

Computershare (being the share registry for each of Afterpay, Touchcorp and Afterpay Touch Group) may collect personal information in the process of implementing the Merger. The personal information may include the names, addresses, contact details and security holdings of Touchcorp Shareholders and the names of persons appointed by Touchcorp Shareholders as proxies, attorneys or corporate representatives at the Touchcorp Scheme Meeting.

The primary purpose of collecting this personal information is to assist Touchcorp in the conduct of the Touchcorp Scheme Meeting and to enable the Touchcorp

Scheme to be implemented by Touchcorp in the manner described in this Scheme Booklet. The personal information may be disclosed to Computershare, print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Merger (including the Touchcorp Scheme).

If the information outlined above is not collected, Touchcorp, Afterpay and Afterpay Touch Group may be hindered in, or prevented from, conducting the Touchcorp Scheme Meeting and Afterpay Scheme Meeting and implementing the Merger.

Touchcorp Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the Touchcorp Share Registry on 1300 850 505 (within Australia) or +61 3 9415 5000 (outside Australia) if they wish to exercise these rights.

The Privacy Policy of Touchcorp is available at www.touchcorp.com.

Touchcorp, Afterpay and Afterpay Touch Group websites

The content of Touchcorp, Afterpay and Afterpay Touch Group's respective websites do not form part of this Scheme Booklet and Touchcorp Shareholders should not rely on their content.

Any references in this Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Scheme Booklet.

Supplementary information

Touchcorp has established a Shareholder Information Line which you should call if you have any questions or require further information. The telephone number is 1300 560 339 (within Australia) and +61 2 8011 0354 (outside Australia). The Shareholder Information Line is open between Monday and Friday from 9.00am to 5.00pm (AEST). Touchcorp Shareholders should consult their legal, financial or other professional adviser before making any decision regarding the Touchcorp Scheme and Merger.

In certain circumstances, Touchcorp may provide additional disclosure to Touchcorp Shareholders in relation to the Touchcorp Scheme and the Merger, after the date of this Scheme Booklet. To the extent applicable, Touchcorp Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Touchcorp Scheme.

Interpretation

Capitalised terms and certain abbreviations used in this Scheme Booklet have the meanings set out in the Glossary at section 10 of this Scheme Booklet. The documents reproduced in the annexures to this Scheme Booklet may have their own defined terms, which are sometimes different from those in the Glossary. A reference to a section or Annexure is a reference to a section in or Annexure to this Scheme Booklet, unless otherwise stated.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Scheme Booklet. All numbers are subject to the effect of rounding.

In this Scheme Booklet headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation.

Unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency.

All references to times in this Scheme Booklet are references to time in AEST unless otherwise stated.

Date

This Scheme Booklet is dated 12 May 2017.

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Key dates relating to the Merger

16 June 2017, 7.00pm	Time and date for determining eligibility to vote at the Touchcorp Scheme Meeting
17 June 2017, 11.00am	Latest time and date for receipt of proxy forms for Touchcorp Scheme Meeting
19 June 2017, 10.00am	Afterpay Scheme Meeting – Afterpay Scheme Shareholders' meeting to vote on the Afterpay Scheme
19 June 2017, 11.00am	Touchcorp Scheme Meeting – Touchcorp Shareholders' meeting to vote on the Touchcorp Scheme
<p>If the Touchcorp Scheme is approved by Touchcorp Shareholders and the Afterpay Scheme is approved by Afterpay Scheme Shareholders</p>	
23 June 2017	Second Bermudian Court Hearing for approval of the Touchcorp Scheme
28 June 2017	Second Australian Court hearing for approval of the Afterpay Scheme
28 June 2017	Effective Date – Touchcorp Scheme and Afterpay Scheme take effect Last day of trading in Touchcorp Shares on ASX Last day of trading in Afterpay Shares on ASX
28 June 2017	Suspension of Touchcorp Shares from trading on ASX Suspension of Afterpay Shares from trading on ASX
29 June 2017	Afterpay Touch Group Shares commence trading on ASX on a deferred settlement basis
3 July 2017, 7.00pm	Record Date for determining entitlement to receive Afterpay Touch Group Shares, being the Touchcorp Scheme Consideration
6 July 2017	Implementation Date – Implementation of the Touchcorp and Afterpay Scheme
7 July 2017	Last day of deferred settlement trading of Afterpay Touch Group Shares Dispatch of holding statements and certificates for Afterpay Touch Group Shares
10 July 2017	Commencement of normal trading of Afterpay Touch Group Shares

All dates following the date of the Touchcorp Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals or sanctions from the Bermudian Court, the Australian Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier Second Bermudian Court Hearing) will be announced through ASX and notified on www.touchcorp.com.

Letter from the Chairperson of Touchcorp

Dear Touchcorp Shareholders,

On 23 February 2017, Afterpay and Touchcorp announced their intention to merge by two inter-conditional schemes of arrangement whereby both companies will become subsidiaries of Afterpay Touch Group.

Touchcorp Shareholders (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares for each Touchcorp Share they hold as at the Record Date and, in aggregate, Touchcorp Shareholders will hold approximately 36.5% of Afterpay Touch Group after the implementation of the Afterpay Scheme (or 39.3% on an undiluted basis). Afterpay Touch Group will apply for listing on the ASX and Touchcorp will cease to be listed if the Merger becomes Effective.

The Independent Expert, RSM, has concluded that the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders.

The Independent Expert's Report is included as Annexure A to this Scheme Booklet. The directors of Afterpay have commissioned their own independent expert's report from LEA for the benefit of Afterpay Shareholders, which concluded that the Afterpay Scheme is fair and reasonable, and in the best interests of Afterpay Shareholders. The Independent Expert's Report and the LEA Report use different bases of preparation. Notwithstanding the different bases of preparation, the valuation of the assets of Touchcorp (other than its shareholding in Afterpay) reached by the Independent Expert is materially different to the valuation of those assets reached by LEA. Refer to section 3.12 for more information.

Your Directors unanimously support the Merger and recommend that, in the absence of a Superior Proposal, Touchcorp Shareholders vote in favour of it at the Touchcorp Scheme Meeting on 19 June 2017.

The rationale for the Merger is compelling as it brings together the complementary skill and product sets of Afterpay and Touchcorp. Afterpay has grown its merchant numbers, customer numbers and revenues at an outstanding rate since the company commenced business in the first half of 2015, with that growth supported and enabled in a technology sense by Touchcorp. The Merger brings together the key executives responsible for this success under a single company structure allowing shareholders in both Touchcorp and Afterpay to benefit from having a single corporate objective.

Your Directors believe the Merger will create an exciting group which is capable of continuing to adapt the Afterpay platform and continuing the rapid growth of the Afterpay business into new product verticals and geographies while expanding the customer base of the existing Touchcorp business lines through Afterpay's relationships with its existing customers.

Your Directors consider that there is a compelling rationale for the Merger, however, there are some possible disadvantages and risks relating to it. If the Merger proceeds, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will own shares in Afterpay Touch Group and be exposed to any potential downside that may result from being a shareholder of an entity which owns both Touchcorp and Afterpay by having an increased exposure to the Afterpay risks compared to those that come from Touchcorp's current interest in Afterpay. Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will also be diluted to a 36.5% interest in Afterpay Touch Group, which reduces their ability to influence its strategic direction, including acceptance or rejection of takeover or merger proposals. In addition, the individual tax consequences for particular Touchcorp Scheme Participants may not be optimal for their financial position.

Details of the Touchcorp Scheme are set out in this Scheme Booklet and we urge you to read it carefully. If the Touchcorp Scheme is approved by Touchcorp Shareholders then, subject to satisfaction of various conditions (including approval of the Afterpay Scheme by Afterpay Scheme Shareholders), it will become binding on all Touchcorp Shareholders.

If you are unable to attend the Touchcorp Scheme Meeting, you are encouraged to vote by completing the Proxy Form enclosed with the Scheme Booklet and returning it as soon as possible to Touchcorp's Share Registry in the reply paid envelope provided by no later than 11.00am (AEST) on Saturday, 17 June 2017.

If you are in doubt as to the action you should take in relation to the Merger, you should consult your legal, financial or other professional adviser without delay.

Yours faithfully



Michael Jefferies

Overview

What is the Merger?

The Merger involves Afterpay Touch Group, a newly incorporated Australian holding company, acquiring all of the Touchcorp Shares and the Afterpay Shares (other than the Afterpay Shares held by the Excluded Shareholder, which are not being acquired), resulting in the merger of Touchcorp and Afterpay under the ownership of Afterpay Touch Group.

Under the Merger, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares for each Touchcorp Share they own at the Record Date.

At the completion of the Merger, on a fully diluted basis Afterpay Touch Group will be owned approximately 36.5% by Touchcorp Scheme Participants and 56.5% by Afterpay Scheme Participants (or 39.3% and 60.7% respectively on an undiluted basis). The balance of the fully diluted position will be comprised of replacement option/performance rights of Afterpay employees. Refer to section 3.10 for further details.

The Touchcorp Scheme and Afterpay Scheme are inter-conditional. This means that the Touchcorp Scheme cannot occur unless the Afterpay Scheme is also approved. Accordingly, for the Merger to proceed, both the Touchcorp Scheme and the Afterpay Scheme must be approved and become Effective.

Overview (continued)

What is the Touchcorp Scheme?

The Touchcorp Scheme is a scheme of arrangement between Touchcorp and the Touchcorp Scheme Participants. If the Touchcorp Scheme becomes Effective, Afterpay Touch Group will acquire all Touchcorp Shares and Touchcorp will become a wholly owned Subsidiary of Afterpay Touch Group.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Touchcorp Scheme by a Requisite Majority of Touchcorp Shareholders at a meeting of Touchcorp Shareholders, as well as Bermudian Court sanction.

If you are a Touchcorp Shareholder (other than an Ineligible Foreign Shareholder) on the Record Date, you will receive 0.64 Afterpay Touch Group Shares for each Touchcorp Share you own if the Merger proceeds.

The resolution approving the Touchcorp Scheme must be passed by Touchcorp Shareholders by the Requisite Majority, being:

- a majority in number (more than 50%) of Touchcorp Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting; and
- representing at least 75% in value of the Touchcorp Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting.

The Touchcorp Scheme is also subject to the satisfaction or waiver of the conditions summarised on page 7 and set out in full in the Touchcorp Scheme of Arrangement in Annexure C.

What is the Afterpay Scheme?

The Afterpay Scheme is a scheme of arrangement between Afterpay and the Afterpay Scheme Participants. If the Afterpay Scheme becomes Effective, Afterpay Touch Group will acquire all Afterpay Shares (other than those held by the Excluded Shareholder) and Afterpay will become an indirectly wholly-owned Subsidiary of Afterpay Touch Group.

Each Afterpay Scheme Shareholder (other than Ineligible Foreign Shareholders) on the Record Date will receive 1 Afterpay Touch Group Share for each Afterpay Share that Afterpay Scheme Shareholder owns if the Merger proceeds.

The resolution approving the Afterpay Scheme must be passed by Afterpay Scheme Shareholders by the Requisite Majority, being:

- a majority in number (more than 50%) of Afterpay Scheme Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Afterpay Scheme Meeting; and
- at least 75% of the total number of votes cast on the resolution to approve the Afterpay Scheme.

What should I do?

You should read this Scheme Booklet carefully in its entirety and then vote by attending the Touchcorp Scheme Meeting or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on the following page.

Answers to various frequently asked questions are set out on pages 16 to 22. If you have any additional questions in relation to this Scheme Booklet, the Merger or the Touchcorp Scheme, please consult your legal, financial or other professional adviser or call the Shareholder Information Line on 1300 560 339 (within Australia) or +61 2 8011 0354 (outside Australia) between Monday and Friday from 9.00am to 5.00pm (AEST).

What are the conditions to the Touchcorp Scheme?

The implementation of the Touchcorp Scheme is subject to a number of conditions as set out in the Touchcorp Scheme of Arrangement in Annexure C, which include:

- Touchcorp Shareholder approval;
- the Bermudian Court sanctioning the Touchcorp Scheme and such order being delivered to the Bermuda Registrar of Companies for registration;
- no material adverse change or certain specific company events occurring in relation to Afterpay or Touchcorp;
- no prescribed occurrences in relation to Afterpay or Touchcorp occurring;
- each of Afterpay, Touchcorp and Afterpay Touch Group's warranties remaining true and correct in all material respects;
- Afterpay Touch Group obtaining ASX listing approval; and
- approval of the Afterpay Scheme by the Afterpay Shareholders, and the Afterpay Scheme becoming Effective.

Under the Merger Implementation Agreement, the Afterpay Scheme was also conditional on Afterpay Shareholder approval of the issue of up to 8 million Afterpay Touch Group Shares under the Afterpay Touch Group Employee Incentive Plan to Anthony Eisen and Nicholas Molnar. However, this issue is not proceeding at this time and accordingly the condition has been waived by Touchcorp and Afterpay and is therefore no longer required. See sections 3.10 and 3.30.

How do I vote?

Who can vote?

A determination has been made by the Touchcorp Board under bye-law 46 of the Bye-Laws of Touchcorp that the persons eligible to vote on the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting are those who are registered as Touchcorp Shareholders on the Touchcorp Register as at 7.00pm (AEST) on Friday, 16 June 2017.

If Touchcorp Shares are jointly held, only one of the joint Touchcorp Shareholders is entitled to vote. If more than one joint Touchcorp Shareholder votes, only the vote of the Touchcorp Shareholder whose name appears first on the Touchcorp Register will be counted.

How to vote in person

To vote in person at the Touchcorp Scheme Meeting, Touchcorp Shareholders must attend the Touchcorp Scheme Meeting to be held at Ernst & Young, 8 Exhibition Street, Melbourne, Victoria 3000 on 19 June 2017 at 11.00am (AEST).

A Touchcorp Shareholder who wishes to attend and vote at the Touchcorp Scheme Meeting in person will be admitted to the Touchcorp Scheme Meeting and given a voting card upon disclosure of their name and address at the point of entry.

Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney to the Touchcorp Scheme Meeting, unless it has already been noted by Touchcorp.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment.

Overview (continued)

How to vote by proxy

A Touchcorp Shareholder who is entitled to attend and vote at the Touchcorp Scheme Meeting may appoint one proxy or, if the Touchcorp Shareholder is entitled to cast 2 or more votes at the Touchcorp Scheme Meeting, 2 proxies, to attend and vote instead of the Touchcorp Shareholder.

Where 2 proxies are appointed to attend and vote at the Touchcorp Scheme Meeting, each proxy may be appointed to represent a specified proportion or number of the Touchcorp Shareholder's voting rights at the Touchcorp Scheme Meeting.

A proxy need not be a Touchcorp Shareholder.

A proxy may be an individual or a body corporate. If a body corporate is appointed, the Proxy Form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate.

A personalised Proxy Form accompanies this Scheme Booklet. If a Touchcorp Shareholder wishes to appoint more than 1 proxy, they may make a copy of the personalised Proxy Form attached to this Scheme Booklet. For the Proxy Form to be valid, it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a (notarially) certified copy of that power of attorney or other authority (if any), by 11.00am (AEST) on Saturday, 17 June 2017:

- **online** – by going to www.investorvote.com.au or by scanning the QR code, found on the enclosed Proxy Form with your mobile device; or
- **by post** – addressed to GPO Box 242, Melbourne, Victoria, 3001; or
- **by personal delivery** – at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067; or
- **by facsimile:**
 - within Australia, addressed to 1800 783 447; or
 - overseas, addressed to +61 3 9473 2555; or
- **by custodian** – for Intermediary Online subscribers only (Custodians), please visit www.intermediaryonline.com to submit your voting intentions.

Proxy voting by the Chairperson of the Touchcorp Scheme Meeting

If you complete a Proxy Form that authorises the Chairperson of the Touchcorp Scheme Meeting to vote on your behalf as proxy, and you do not mark any of the boxes so as to give him a direction about how your vote should be cast on the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting, then you will be taken to have expressly authorised the Chairperson of the Touchcorp Scheme Meeting to exercise your proxy on the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting.

In accordance with this express authority provided by you, the Chairperson of the Touchcorp Scheme Meeting will vote in favour of the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting.

If you wish to appoint the Chairperson of the Touchcorp Scheme Meeting as your proxy, and you wish to direct him how to vote on the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting, please tick the appropriate box on the Proxy Form.

Touchcorp's Chairman, Mr Michael Jefferies, will act as the Chairperson of the Touchcorp Scheme Meeting and intends to vote all available undirected proxies in favour of the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting.

If a proxy appointment is signed by, or validly authenticated by, the Touchcorp Shareholder but does not name the proxy or proxies in whose favour it was given, the Chairperson of the Touchcorp Scheme Meeting will act as proxy.

What is the Directors' recommendation?

Your Directors believe that the Merger and the Touchcorp Scheme are in the best interests of Touchcorp Shareholders and **unanimously recommend** that, in the absence of a Superior Proposal, Touchcorp **Shareholders vote in favour of the Touchcorp Scheme** at the Touchcorp Scheme Meeting.

In reaching their recommendation, your Directors have assessed the Touchcorp Scheme having regard to the reasons to vote for, or against, the Touchcorp Scheme, as set out in this Scheme Booklet.

Each of your Directors intends to vote the Touchcorp Shares that they own or control, and will direct any Touchcorp proxies placed at their discretion, in favour of the Touchcorp Scheme in the absence of a Superior Proposal.

If a Superior Proposal emerges after the date of this Scheme Booklet, your Directors will carefully reconsider the Touchcorp Scheme and advise you of their recommendation.

The interests of your Directors and the number and description of Touchcorp Shares held by or on behalf of your Directors are set out in section 9.2

The Independent Expert, RSM, has concluded that the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders.

The directors of Afterpay have commissioned a separate independent expert's report from LEA, which concluded that the Afterpay Scheme is fair and reasonable, and in the best interests of Afterpay Shareholders. In reaching this conclusion, LEA attributed a value to the Touchcorp business (excluding Touchcorp's shareholding in Afterpay) that is materially higher than the value attributed to the same Touchcorp business by RSM and accordingly, there is a material difference in valuation between the two expert's reports. Your Directors recommend that you read the Independent Expert's Report from RSM which is included in Annexure A to this Scheme Booklet as it specifically considers Touchcorp Shareholders' interests. Refer to section 3.12 for more information.

1. Key considerations relevant to your vote

Reasons to vote for the Merger and the Touchcorp Scheme

- ✓ Your Directors unanimously recommend that you vote in favour of the Merger and the Touchcorp Scheme in the absence of a Superior Proposal.
- ✓ The Independent Expert has concluded that the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders.
- ✓ As the owner of both Afterpay and Touchcorp, Afterpay Touch Group is likely to deliver stronger shareholder value through the complementary skills of the two entities than that which could be attained for Touchcorp Shareholders alone.
- ✓ The Touchcorp Scheme Consideration represents a strong premium to the price at which Touchcorp Shares traded prior to the Merger Announcement.
- ✓ No Superior Proposal has emerged as at the date of this Scheme Booklet.
- ✓ Touchcorp's Share price may fall if the Merger and the Touchcorp Scheme are not approved.

Reasons to vote for the Merger and the Touchcorp Scheme are discussed in more detail in section 1.1 of this Scheme Booklet.

Reasons not to vote for the Merger and the Touchcorp Scheme



You may disagree with the Independent Expert and your Directors and believe that the Touchcorp Scheme is not in the best interests of Touchcorp Shareholders.



If the Touchcorp Scheme and Merger proceed, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will own shares in Afterpay Touch Group and be exposed to any potential downside that may result from being a shareholder of an entity which owns both Touchcorp and Afterpay by having an increased exposure to the Afterpay risks than come from Touchcorp continuing to hold 50 million Afterpay Shares.



The tax consequences of transferring your Touchcorp Shares pursuant to the Touchcorp Scheme may not be optimal for your financial position.



You may consider that there is potential for a Superior Proposal to be made.



The Merger and Touchcorp Scheme may be subject to conditions that you consider unacceptable.

Reasons why you may not want to vote for the Merger and Touchcorp Scheme are discussed in more detail in section 1.2 of this Scheme Booklet.

1. Key considerations relevant to your vote (continued)

1.1

Reasons to vote for the Touchcorp Scheme and the Merger

(a) Your Directors unanimously recommend that you vote for the Merger and the Touchcorp Scheme in the absence of a Superior Proposal

Your Directors believe that the Merger and the Touchcorp Scheme are in the best interests of Touchcorp Shareholders and unanimously recommend that, in the absence of a Superior Proposal, Touchcorp Shareholders vote in favour of the Touchcorp Scheme at the Touchcorp Scheme Meeting.

In reaching their recommendation, your Directors have assessed the Merger and the Touchcorp Scheme having regard to the reasons to vote for, or against, the Merger and the Touchcorp Scheme, as set out in this Scheme Booklet and Touchcorp's current strategic plans.

Your Directors believe the value of the Touchcorp Scheme Consideration represents a strong premium to the price at which Touchcorp Shares traded in the month preceding the Merger Announcement. This premium is further explained in section 1.1(d) below.

Each of your Directors intend to vote the Touchcorp Shares that they own or control, and will direct any proxies placed at their discretion, in favour of the Touchcorp Scheme in the absence of a Superior Proposal.

If a Superior Proposal emerges after the date of this Scheme Booklet, your Directors will carefully reconsider the Merger and the Touchcorp Scheme and advise you of their recommendation.

The interests of your Directors and the number and description of Touchcorp Shares held by or on behalf of your Directors are set out in section 9.2.

In considering whether to vote for the Merger and the Touchcorp Scheme, your Directors encourage you to:

- carefully read the whole of this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in section 3.13;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- consult your legal, financial or other professional adviser.

(b) The Independent Expert has concluded that the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders

The Independent Expert, RSM, has concluded that the acquisition of Touchcorp Shares by Afterpay Touch Group under the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders.

The directors of Afterpay have commissioned a separate independent expert's report from LEA, which concluded that the Afterpay Scheme is fair and reasonable, and in the best interests of Afterpay Shareholders. In reaching this conclusion, LEA attributed a value to the Touchcorp business (excluding Touchcorp's shareholding in Afterpay) that is materially higher than the value attributed to the same Touchcorp business by RSM and accordingly, there is a material difference in valuation between the two expert's reports.

Your Directors recommend that you read the Independent Expert's Report from RSM in its entirety which is included in Annexure A to this Scheme Booklet as it specifically considers Touchcorp Shareholders' interests. Refer to section 3.12 for more information.

(c) As the owner of both Afterpay and Touchcorp, Afterpay Touch Group is likely to deliver stronger shareholder value through the complementary skills of the two entities than that which could be attained for Touchcorp Shareholders alone

The Merger will:

- Provide Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) with an increased exposure to the rapidly growing Afterpay business
- Allow the leadership team of Touchcorp to be enhanced with key Afterpay executives and for the combined management team to direct all aspects of the Afterpay Touch Group businesses
- Provide additional scope for accelerating the growth profile of Afterpay through new verticals and geographies, leveraging off the core technology and team that currently exists
- Benefit from incorporating profitable Touchcorp recurring revenue streams in relevant industry verticals and geographic markets and add to the future growth of those businesses because they are synergistic to Afterpay's existing activities
- Enhance the intellectual property profile and transaction integrity capability of the combined Merged Group through access to a broader data set and a streamlined approach to data analytics
- Generate synergies through combined platform benefits, operational cost savings and a singular strategic focus

The expanded skill set and resources of Afterpay Touch Group compared to the stand alone position of Afterpay or Touchcorp will result in a more resilient entity that is better positioned to withstand competitive forces going forward.

(d) The Touchcorp Scheme Consideration represents a strong premium to the price at which Touchcorp Shares traded prior to the Merger Announcement

The Touchcorp Scheme Consideration comprises 0.64 Afterpay Touch Group Shares for each Touchcorp Share and the Afterpay Scheme Consideration comprises 1 Afterpay Touch Group Share for each Afterpay Share.

If the Merger proceeds, each Touchcorp Scheme Participant (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares for every one Touchcorp Share they own on the Record Date. This Touchcorp Scheme Consideration reflects an indicative premium for Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) of approximately:

- 50% to the closing price of Touchcorp's Shares on 22 February 2017, being the day prior to Touchcorp and Afterpay's announcement of an intention to pursue the Merger; and
- 49% to the 1-month VWAP of Touchcorp Shares up to 22 February 2017, which was \$1.055, based on the Touchcorp Scheme Consideration and an Afterpay Share price of \$2.46, being the closing price of Afterpay Shares on 22 February 2017; and
- 44% to the closing price of Touchcorp Shares on 22 February 2017 of \$1.05, based on the Touchcorp Scheme Consideration and an Afterpay Share price of \$2.37, being the closing price of Afterpay Shares on 21 April 2017.

(e) No Superior Proposal has emerged as at the date of this Scheme Booklet

As at the date of this Scheme Booklet, no Superior Proposal has emerged. However, there remains the possibility that a third party may make a Superior Proposal prior to the Touchcorp Scheme Meeting.

On 13 April 2017, Touchcorp announced that it had received a confidential, conditional, unsolicited, indicative and non-binding expression of interest to acquire Touchcorp's operating assets, excluding surplus cash and its shareholding in Afterpay ("Indicative Proposal"). The Touchcorp Board, following consultation with its advisers, including its corporate adviser, considered the Indicative Proposal and determined that it did not constitute a Superior Proposal.

(f) Touchcorp's Share price may fall if the Merger and Touchcorp Scheme are not approved

Since 23 February 2017 (the date of the Merger announcement) to the week ended 12 May 2017, Touchcorp Shares have traded at a significant premium, around 30% on average, to the price at which they traded immediately prior to the announcement of the Merger.

Your Directors believe that if the Merger and the Touchcorp Scheme are not approved and no Superior Proposal emerges, it is likely that the Touchcorp Share price will fall to below the level at which it has been trading since the execution of the Merger Implementation Agreement was announced (although this is difficult to predict with any degree of certainty).

1.2

Possible reasons not to vote for the Touchcorp Scheme and the Merger

(a) You may disagree with the Independent Expert and your Directors and believe that the Touchcorp Scheme is not in the best interests of Touchcorp Shareholders

You may hold a different view to your Directors and the Independent Expert and believe that the Touchcorp Scheme Consideration ratio is inadequate.

You may hold a different view to the Independent Expert on its valuation of Touchcorp's contribution to the Merger. LEA, the independent expert commissioned by Afterpay directors, attributed a value to the Touchcorp business (excluding Touchcorp's shareholding in Afterpay) that is materially higher than the value attributed to the same Touchcorp business by RSM and accordingly, there is a material difference in valuation between the two expert's reports. LEA has concluded that the Afterpay Scheme is fair and reasonable, and in the best interests of Afterpay Shareholders. Refer to section 3.12 for more information.

(b) If the Touchcorp Scheme and Merger proceed, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will own shares in Afterpay Touch Group and be exposed to any potential downside that may result from being a shareholder of an entity which owns both Touchcorp and Afterpay by having an increased exposure to the Afterpay risks than those which come from Touchcorp holding 50 million Afterpay Shares prior to the Merger

1. Key considerations relevant to your vote (continued)

(c) The tax consequences of transferring your Touchcorp Shares pursuant to the Touchcorp Scheme may not be optimal for your financial position

Implementation of the Touchcorp Scheme may have tax consequences for you. A general guide to the taxation implications of the Touchcorp Scheme is set out in section 8 of this Scheme Booklet. This guide is expressed in general terms only and you should seek professional advice regarding the tax consequences applicable to your circumstances.

(d) You may consider that there is potential for a Superior Proposal to be made

You may believe that there is a possibility that a Superior Proposal could emerge in the foreseeable future. As noted on page 13, on 13 April 2017, Touchcorp announced that the Touchcorp Board, following consultation with its advisers, including its corporate adviser, had considered an alternative proposal, which included an expression of interest to acquire Touchcorp's operating assets, excluding surplus cash and its shareholding in Afterpay and determined that it did not constitute a Superior Proposal.

For the reasons noted below, your Directors consider that the possibility of a Superior Proposal emerging is low:

- Since the initial announcement of the intention to pursue a Merger on 23 February 2017 and up to the date of this Scheme Booklet, the Directors have not received or become aware of any Superior Proposal.
- The Merger and Touchcorp Scheme is a result of a 5 month engagement process with Afterpay involving the provision of publicly available presentation materials, as well as an exclusive due diligence period. During the course of this process no Superior Proposals were received by Touchcorp. The Merger Implementation Agreement prohibits Touchcorp from soliciting any competing transaction, although Touchcorp may respond to a competing transaction if the Directors determine, acting in good faith, that failing to do so would be likely to constitute a breach of their fiduciary or legal duties, as discussed in section 9.12(b) of this Scheme Booklet.

(e) The Merger and Touchcorp Scheme may be subject to conditions that you consider unacceptable

The implementation of the Merger and the Touchcorp Scheme is subject to a number of conditions, summarised on page 7 and set out in full in the Touchcorp Scheme of Arrangement in Annexure C. The status of the conditions is discussed in section 9.12(a) of this Scheme Booklet.

1.3

Other relevant considerations

(a) The Merger and Touchcorp Scheme may be implemented even if you vote against it

You should be aware that even if you do not vote, or vote against the Touchcorp Scheme, the Touchcorp Scheme may still be implemented if it is approved by the Requisite Majority of Touchcorp Shareholders and sanctioned by the Bermudian Court (and if the Afterpay Scheme also becomes Effective). If this occurs, Touchcorp Shares held by Touchcorp Scheme Participants will be transferred to Afterpay Touch Group and:

- Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares per Touchcorp Share they own at the Record Date; and
- Ineligible Foreign Shareholders will receive the net sale proceeds from the sale of the Afterpay Touch Group Shares to which they would otherwise have been entitled, after deducting any applicable brokerage, stamp duty and other taxes,

even though they did not vote on, or voted against, the Touchcorp Scheme.

(b) Costs

Touchcorp has incurred costs in relation to the proposed Merger to the point that it is capable of being submitted to Touchcorp Shareholders as a scheme of arrangement for their consideration. These costs include negotiations with Afterpay and Afterpay Touch Group, retention of advisers, provision of information to Afterpay and Afterpay Touch Group, facilitating Afterpay and Afterpay Touch Group's access to due diligence, engagement of the Independent Expert, and preparation of this Scheme Booklet.

If the Merger is not implemented and if no Superior Proposal emerges and becomes effective, Touchcorp expects to incur total costs of approximately \$1.3m which will be paid in the 2016 financial year.

**Frequently asked
questions**



2. Frequently asked questions

This Scheme Booklet contains detailed information regarding the Touchcorp Scheme. The following section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet.

Question	Answer
<p>1 What is the Merger?</p>	<p>The Merger involves Afterpay Touch Group, a newly incorporated Australian holding company, acquiring all of the Touchcorp Shares and the Afterpay Shares (other than the Afterpay Shares held by the Excluded Shareholder), resulting in the merger of Touchcorp and Afterpay under the ownership of Afterpay Touch Group. If the Merger proceeds:</p> <ul style="list-style-type: none"> • Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares for each Touchcorp Share they own as at the Record Date; and • Ineligible Foreign Shareholders will receive the net sale proceeds from the sale of the Afterpay Touch Group Shares to which they would otherwise have been entitled, after deducting any applicable brokerage, stamp duty and other taxes. <p>At the completion of the Merger, on a fully diluted basis Afterpay Touch Group will be owned approximately 36.5% by Touchcorp Scheme Participants and 56.5% by Afterpay Scheme Participants. The balance will be comprised of replacement option/performance rights of Afterpay employees. See FAQ 14 for the expected final share capital Afterpay Touch Group following implementation of the Merger and section 3.10 for further details.</p>
<p>2 What is the rationale for the Merger?</p>	<p>The Merger will:</p> <ul style="list-style-type: none"> • Provide Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) with an increased exposure to the rapidly growing Afterpay business • Allow the leadership team of Touchcorp to be enhanced with key Afterpay executives and for the combined management team to direct all aspects of the Afterpay Touch Group businesses • Provide additional scope for accelerating the growth profile of Afterpay through new verticals and geographies, leveraging off the core technology and team that currently exists • Benefit from incorporating profitable Touchcorp recurring revenue streams in relevant industry verticals and geographic markets and add to the future growth of those businesses because they are synergistic to Afterpay's existing activities • Enhance the intellectual property profile and transaction integrity capability of the combined Merged Group through access to a broader data set and a streamlined approach to data analytics • Generate synergies through combined platform benefits, operational cost savings and a singular strategic focus <p>The expanded skill set and financial resources of Afterpay Touch Group compared to the stand alone position of Afterpay or Touchcorp will result in a more resilient entity that is better positioned to withstand competitive forces going forward.</p>
<p>3 Who is Afterpay Touch Group?</p>	<p>Afterpay Touch Group is a newly incorporated Australian company which did not carry on business prior to the Merger Announcement.</p> <p>Afterpay Touch Group was incorporated to enable the Merger of Touchcorp and Afterpay under the ownership of Afterpay Touch Group and to become listed on ASX.</p> <p>The board of directors of Afterpay Touch Group will comprise 4 directors from the Afterpay Board and 2 directors from the Touchcorp Board.</p>
<p>4 When will Afterpay Touch Group Shares start trading on ASX?</p>	<p>It is anticipated that Afterpay Touch Group Shares will commence trading on a deferred settlement basis on ASX on 29 June 2017 and on a normal settlement basis on 10 July 2017.</p>

Question	Answer
<p>5 What is the Touchcorp Scheme?</p>	<p>The Touchcorp Scheme is a scheme of arrangement between Touchcorp and the Touchcorp Scheme Participants. If the Touchcorp Scheme becomes Effective, Afterpay Touch Group will acquire all Touchcorp Shares and Touchcorp will become a wholly owned Subsidiary of Afterpay Touch Group.</p> <p>A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Touchcorp Scheme by the Requisite Majority of Touchcorp Shareholders at a meeting of Touchcorp Shareholders and Bermudian Court sanction.</p> <p>The terms of the Touchcorp Scheme are set out in full in Annexure C.</p>
<p>6 What do your Directors recommend?</p>	<p>Your Directors unanimously consider that the Touchcorp Scheme is in the best interests of Touchcorp Shareholders and recommend that you vote in favour of the Touchcorp Scheme in the absence of a Superior Proposal. The basis for this recommendation is set out in section 1.1. The interests of your Directors and the number and description of Touchcorp Shares held by or on behalf of your Directors are set out in section 9.2.</p> <p>Section 1.2 includes a summary of the possible reasons not to vote for the Touchcorp Scheme.</p>
<p>7 How do your Directors intend to vote?</p>	<p>Each Director who owns or controls Touchcorp Shares intends to vote in favour of the Touchcorp Scheme in the absence of a Superior Proposal.</p>
<p>8 What is the Independent Expert’s conclusion?</p>	<p>The Independent Expert has concluded that, in the absence of a Superior Proposal, the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders.</p> <p>The Independent Expert has concluded that there are likely to be synergies available from combining Touchcorp and Afterpay’s businesses into a single listed entity, and that the combined focus of the two entities may result in the generation of greater shareholder value than could be achieved by two standalone entities.</p> <p>The Independent Expert’s Report is set out in full in Annexure A.</p> <p>The directors of Afterpay have commissioned their own independent expert’s report from LEA for the benefit of Afterpay Shareholders in relation to the Afterpay Scheme. The LEA Report concluded that the Afterpay Scheme is fair and reasonable, and in the best interests of, Afterpay Shareholders. In reaching this conclusion, RSM attributed a value to the Touchcorp business (excluding Touchcorp’s shareholding in Afterpay) that is materially lower than the value attributed to the same Touchcorp business by LEA and accordingly, there is a material difference in valuation between the two expert’s reports. Refer to section 3.12 for further details.</p> <p>Touchcorp Directors recommend that Touchcorp Shareholders read RSM’s Independent Expert’s Report in Annexure A as it specifically considers Touchcorp Shareholders’ interests and was prepared for the purposes of the Touchcorp Scheme.</p>
<p>9 Am I obliged to follow the recommendation of the Directors or the conclusions of the Independent Expert?</p>	<p>No. While the Directors and Independent Expert consider that the Touchcorp Scheme is in the best interests of Touchcorp Shareholders in the absence of a Superior Proposal, Touchcorp Shareholders are not obliged to follow the recommendation of the Directors or the conclusions of the Independent Expert.</p>
<p>10 What are the prospects of receiving a Superior Proposal?</p>	<p>Since the proposed Merger was initially announced on 23 February 2017, no Superior Proposal has emerged. Given the time that has elapsed since the proposed Merger was announced, your Directors’ view is that a Superior Proposal is unlikely to emerge prior to the Touchcorp Scheme Meeting.</p>

2. Frequently asked questions (continued)

Question	Answer																				
11 What should I do?	You should read this Scheme Booklet carefully in its entirety and then vote by attending the Touchcorp Scheme Meeting or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are summarised in the 'How do I vote?' section above and set out in detail in the Notice of Touchcorp Scheme Meeting in Annexure E.																				
12 What will I receive if the Touchcorp Scheme becomes Effective?	If the Touchcorp Scheme is approved and implemented, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares for each Touchcorp Share they hold on the Record Date. Ineligible Foreign Shareholders will not receive Afterpay Touch Group Shares. The Afterpay Touch Group Shares which they would otherwise have been entitled to will be sold and the net sale proceeds, after deducting any applicable brokerage, stamp duty and other taxes, will be remitted to them.																				
13 Why is the merger ratio 0.64 Afterpay Touch Group Shares for 1 Touchcorp Share?	Both Afterpay and Touchcorp shareholders (other than Ineligible Foreign Shareholders) will receive Afterpay Touch Group Shares if the Merger becomes Effective. Following commercial negotiation prior to the announcement of the proposed Merger on 23 February 2017, the Afterpay Board and Touchcorp Board agreed that the Merger ratio would be 1 Afterpay Touch Group Share for each Afterpay Share and 0.64 Afterpay Touch Group shares for each Touchcorp Share. Immediately prior to the announcement of the proposed Merger, Afterpay Shares were trading at \$2.46 and Touchcorp Shares were trading at \$1.05. Accordingly, the agreed ratio of 0.64 for Touchcorp Shares represented a premium of 50% to the price at which Touchcorp was trading prior to the announcement whereas Afterpay Shareholders did not receive a premium in calculating their entitlement to Afterpay Touch Group Shares.																				
14 What is the expected share capital of Afterpay Touch Group following implementation of the Merger?	<p>Immediately following the Merger, the share capital of Afterpay Touch Group will look as follows:</p> <table border="1"> <thead> <tr> <th>Type of security pre-Merger</th> <th>Number of Afterpay Touch Group Shares held on a fully diluted basis</th> <th>% of total Afterpay Touch Group Shareholding – undiluted</th> <th>% of total Afterpay Touch Group Shareholding – fully diluted</th> </tr> </thead> <tbody> <tr> <td>Afterpay Scheme Participants (other than Ineligible Foreign Shareholders)</td> <td>130,337,038</td> <td>60.7%</td> <td>56.5%</td> </tr> <tr> <td>Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders)</td> <td>84,418,284</td> <td>39.3%</td> <td>36.5%</td> </tr> <tr> <td>Afterpay employee options/performance rights on issue pre-Merger</td> <td>16,220,000</td> <td>0%</td> <td>7.0%</td> </tr> <tr> <td>TOTAL</td> <td>230,975,322</td> <td>100.0%</td> <td>100.0%</td> </tr> </tbody> </table> <p>Fully diluted basis means the number of Afterpay Touch Group Shares that would be on issue following completion of the Merger if all Afterpay employee option/performance rights were vested and exercised.</p>	Type of security pre-Merger	Number of Afterpay Touch Group Shares held on a fully diluted basis	% of total Afterpay Touch Group Shareholding – undiluted	% of total Afterpay Touch Group Shareholding – fully diluted	Afterpay Scheme Participants (other than Ineligible Foreign Shareholders)	130,337,038	60.7%	56.5%	Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders)	84,418,284	39.3%	36.5%	Afterpay employee options/performance rights on issue pre-Merger	16,220,000	0%	7.0%	TOTAL	230,975,322	100.0%	100.0%
Type of security pre-Merger	Number of Afterpay Touch Group Shares held on a fully diluted basis	% of total Afterpay Touch Group Shareholding – undiluted	% of total Afterpay Touch Group Shareholding – fully diluted																		
Afterpay Scheme Participants (other than Ineligible Foreign Shareholders)	130,337,038	60.7%	56.5%																		
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Afterpay employee options/performance rights on issue pre-Merger	16,220,000	0%	7.0%																		
TOTAL	230,975,322	100.0%	100.0%																		
15 What will I receive if the Touchcorp Scheme is not approved by the Requisite Majority at the Touchcorp Scheme Meeting?	If the Touchcorp Scheme is not approved by the Requisite Majority, you will not receive any Afterpay Touch Group Shares and the Merger will not proceed.																				
16 When will I receive the Afterpay Touch Group Shares?	If you hold Touchcorp Shares on the Record Date, and you are not an Ineligible Foreign Shareholder, you will be issued your Afterpay Touch Group Shares on the Implementation Date (currently expected to be 6 July 2017).																				

Question	Answer
17 What are the tax consequences of the Touchcorp Scheme?	<p>Section 8 provides a general outline of the Australian income tax, capital gains tax and stamp duty consequences for Touchcorp Scheme Participants who are Australian tax residents and who dispose of their Touchcorp Shares in accordance with the Touchcorp Scheme.</p> <p>You should consult with your own tax adviser regarding the tax consequences of disposing of your Touchcorp Shares in accordance with the Touchcorp Scheme in light of current tax laws and your particular circumstances.</p>
18 Will I have to pay brokerage fees or stamp duty?	<p>No brokerage fees or stamp duty will be payable on the transfer of Touchcorp Shares under the Touchcorp Scheme.</p>
19 When and where will the Touchcorp Scheme Meeting be held?	<p>The Touchcorp Scheme Meeting will be held at 11.00am (AEST) on 19 June 2017 at Ernst & Young, 8 Exhibition Street, Melbourne, Victoria 3000.</p>
20 Am I entitled to vote at the Touchcorp Scheme Meeting?	<p>If you are registered as a Touchcorp Shareholder on the Touchcorp Register at 7.00pm (AEST) on Friday, 16 June 2017, you will be entitled to vote at the Touchcorp Scheme Meeting.</p>
21 What are the conditions to the Touchcorp Scheme?	<p>The implementation of the Touchcorp Scheme is subject to a number of conditions as summarised in Section 9.12 and set out in full in the Touchcorp Scheme of Arrangement in Annexure C, which include:</p> <ul style="list-style-type: none"> • Touchcorp Shareholder approval by the Requisite Majority; • the Bermudian Court sanctioning the Touchcorp Scheme and such order being delivered to the Bermuda Registrar of Companies for registration; • no material adverse change or certain specific company events occurring in relation to Afterpay or Touchcorp; • no prescribed occurrences in relation to Afterpay or Touchcorp occurring; • each of Touchcorp, Afterpay and Afterpay Touch Group's warranties remaining true and correct in all material respects; • Afterpay Touch Group obtaining ASX listing approval; and • approval of the Afterpay Scheme and the Afterpay Scheme becoming Effective. <p>The Touchcorp Scheme and Afterpay Scheme are inter-conditional. This means that the Touchcorp Scheme cannot occur unless the Afterpay Scheme is also approved. Accordingly, for the Touchcorp Scheme to proceed, the Afterpay Scheme must also become Effective.</p> <p>The Afterpay Scheme (and therefore the Touchcorp Scheme) were also previously conditional on Afterpay Shareholder approval of the issue of Afterpay Touch Group Shares under the Afterpay Touch Group Employee Incentive Plan to Anthony Eisen and Nicholas Molnar. However, this issue is not proceeding at this time and accordingly the condition has been waived by Touchcorp and Afterpay and is therefore no longer required. See sections 3.10 and 3.30.</p>

2. Frequently asked questions (continued)

Question	Answer
<p>22 What shareholder vote is required to approve the Touchcorp Scheme?</p>	<p>For the Touchcorp Shareholders to approve the Touchcorp Scheme, votes “in favour of” the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting must be received from a Requisite Majority of Touchcorp Shareholders. A Requisite Majority is:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Touchcorp Shareholders present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting; and • representing at least 75% in value of the Touchcorp Shareholders present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting. <p>The Touchcorp Scheme is also conditional on approval of the Afterpay Scheme. The resolution approving the Afterpay Scheme must be passed by Afterpay Scheme Shareholders by the Requisite Majority, being:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Afterpay Scheme Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Afterpay Scheme Meeting; and • at least 75% of the total number of votes cast on the resolution to approve the Afterpay Scheme.
<p>23 What choices do I have as a Touchcorp Shareholder?</p>	<p>As a Touchcorp Shareholder you have the following choices:</p> <ul style="list-style-type: none"> • you can vote in person or by proxy at the Touchcorp Scheme Meeting; • you can elect not to vote at the Touchcorp Scheme Meeting; • you can sell your Touchcorp Shares on ASX. If you sell your Touchcorp Shares on ASX you may incur brokerage costs; or • you can do nothing.
<p>24 Should I vote?</p>	<p>Voting is not compulsory. However, your Directors believe that the Touchcorp Scheme is important to Touchcorp Shareholders and your Directors unanimously recommend that you vote in favour of the Touchcorp Scheme in the absence of a Superior Proposal.</p>
<p>25 How do I vote?</p>	<p>As a Touchcorp Shareholder, you can vote at the Touchcorp Scheme Meeting in either of two ways:</p> <ul style="list-style-type: none"> • by attending the Touchcorp Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or • by appointing a proxy to attend and vote on your behalf. <p>See the ‘How do I vote?’ section on page 7 for full details on how to vote.</p>
<p>26 What happens if I do not vote, or I vote against the Touchcorp Scheme?</p>	<p>The Touchcorp Scheme may not be approved at the Touchcorp Scheme Meeting. If this occurs, the Touchcorp Scheme will not proceed, you will not receive Afterpay Touch Group Shares and you will remain a Touchcorp Shareholder.</p> <p>However, if the Touchcorp Scheme is approved and implemented, your Touchcorp Shares will be transferred to Afterpay Touch Group and:</p> <ul style="list-style-type: none"> • Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive the Touchcorp Scheme Consideration (being Afterpay Touch Group Shares); and • Ineligible Foreign Shareholders will receive the net sale proceeds from the sale of the Afterpay Touch Group Shares to which they would otherwise have been entitled, after deducting any applicable brokerage, stamp duty and other taxes, even if you did not vote or you voted against the Touchcorp Scheme.

Question	Answer
<p>27 What happens if the Touchcorp Scheme is not approved at the Touchcorp Scheme Meeting or is not sanctioned by the Bermudian Court?</p>	<p>If the Touchcorp Scheme is not approved by a Requisite Majority of Touchcorp Shareholders at the Touchcorp Scheme Meeting or the Touchcorp Scheme is not sanctioned by the Bermudian Court:</p> <ul style="list-style-type: none"> • Touchcorp will remain listed on ASX; • you will retain your Touchcorp Shares; • Touchcorp will continue to hold an interest in Afterpay, by retaining its Afterpay Shares; • Touchcorp Shareholders will not receive any Afterpay Touch Group Shares; and • Touchcorp Shareholders will remain exposed to the risks of Touchcorp, as discussed in section 7.1(g) . <p>Your Directors believe that if the Touchcorp Scheme is not implemented then the price of Touchcorp Shares may fall.</p> <p>Before the Touchcorp Scheme Meeting, Touchcorp estimates that it will have incurred or committed transaction costs of approximately \$1.3m in relation to the Touchcorp Scheme. Those costs will be payable by Touchcorp regardless of whether or not the Touchcorp Scheme is approved and becomes Effective.</p> <p>Depending on the reasons why the Touchcorp Scheme did not proceed, Touchcorp may be liable to pay a break fee of \$750,000 to Afterpay (or Afterpay may be liable to pay a break fee of \$750,000 to Touchcorp). However, no break fee is payable by Touchcorp merely for the reason that Touchcorp Shareholders do not approve the Touchcorp Scheme at the Touchcorp Scheme Meeting. See section 9.12 for further details on the break fee.</p> <p>If the Touchcorp Scheme does not proceed, you will retain your Touchcorp Shares. Your Directors intend to continue to operate Touchcorp as a listed public company carrying on the existing Touchcorp business under the leadership of the current senior management and will resume an executive search to find a new Managing Director.</p> <p>Section 1.2(f) provides further details on your Directors' beliefs regarding the Touchcorp share price in the event that the Touchcorp Scheme does not proceed.</p>
<p>28 What happens if the Touchcorp Scheme is approved at the Touchcorp Scheme Meeting but the Afterpay Scheme is not approved?</p>	<p>If the Touchcorp Scheme is approved, but the Afterpay Scheme is not approved at the Afterpay Scheme Meeting or by the Australian Court, the Touchcorp Scheme will not proceed for sanction by the Bermudian Court.</p> <p>If the Touchcorp Scheme does not proceed, you will retain your Touchcorp Shares. The same consequences will apply as discussed in FAQ 27 above.</p>
<p>29 When will the result of the Touchcorp Scheme Meeting be known?</p>	<p>The result of the Touchcorp Scheme Meeting will be available shortly after the conclusion of the Touchcorp Scheme Meeting and will be announced to ASX once available. The results will also be published on www.touchcorp.com soon after the Touchcorp Scheme Meeting.</p>
<p>30 Can I keep my Touchcorp Shares?</p>	<p>If the Touchcorp Scheme is implemented, your Touchcorp Shares will be transferred to Afterpay Touch Group. This will happen even if you did not vote or you voted against the Touchcorp Scheme.</p>
<p>31 What happens if a Superior Proposal emerges?</p>	<p>If a Superior Proposal is received, it will be announced to ASX and your Directors will carefully consider the proposal and advise you of their recommendation.</p>

2. Frequently asked questions (continued)

Question	Answer
<p>32 Are any other approvals required for the Touchcorp Scheme?</p>	<p>If the Touchcorp Scheme is approved by a Requisite Majority of Touchcorp Shareholders at the Touchcorp Scheme Meeting and the Afterpay Scheme is approved by a Requisite Majority of Afterpay Scheme Shareholders at the Afterpay Scheme Meeting, Touchcorp will apply to the Bermudian Court for sanction of the Touchcorp Scheme.</p> <p>The Touchcorp Scheme must be sanctioned by the Bermudian Court in addition to being approved by a Requisite Majority of Touchcorp Shareholders. The Second Bermudian Court Hearing is expected to be held on 23 June 2017 (although this may change).</p> <p>The Touchcorp Scheme and Afterpay Scheme are inter-conditional. This means that the Touchcorp Scheme cannot occur unless the Afterpay Scheme is approved by a Requisite Majority of Afterpay Scheme Shareholders and by the Australian Court.</p> <p>Further details of the approval process are set out in section 3.</p> <p>Implementation of the Touchcorp Scheme is subject to a number of conditions summarised in section 9.12 and set out in full in the Touchcorp Scheme of Arrangement in Annexure C.</p>
<p>33 Do I need to do or sign anything to transfer my Touchcorp Shares?</p>	<p>No. If the Touchcorp Scheme becomes Effective, Touchcorp will automatically have authority to sign a transfer document on behalf of Touchcorp Scheme Participants, who will then receive Afterpay Touch Group Shares (or, in the case of Ineligible Foreign Shareholders, the net sale proceeds from the sale of the Afterpay Touch Group Shares to which they would otherwise have been entitled, after deducting any applicable brokerage, stamp duty and other taxes).</p> <p>You should be aware that, if you are a Touchcorp Scheme Participant, you will be deemed to have warranted to Touchcorp, and authorised Touchcorp to warrant to Afterpay Touch Group on your behalf, that</p> <ul style="list-style-type: none"> • all of your Touchcorp Shares are fully paid and free from all encumbrances (for example, mortgages or other security interests); and • you have full power and capacity to transfer your Touchcorp Shares to Afterpay Touch Group.
<p>34 Why is Touchcorp excluded from the Afterpay Scheme?</p>	<p>Touchcorp and any Subsidiary of Touchcorp, being the Excluded Shareholders, are excluded from the Afterpay Scheme as Afterpay Touch Group will indirectly acquire the Afterpay Shares held by the Excluded Shareholders if the Merger completes.</p> <p>As at the date of this Scheme Booklet, Touchcorp and its Subsidiaries hold approximately 27.7% of Afterpay Shares on issue</p>
<p>35 What if I have further questions about the Touchcorp Scheme or Merger?</p>	<p>If you have any further questions about the Touchcorp Scheme please call the Shareholder Information Line on 1300 560 339 (within Australia) and +61 2 8011 0354 (outside Australia) between 9.00am to 5.00pm (AEST) Monday to Friday, or visit the website www.touchcorp.com.</p>

**Details of the Merger
and the Touchcorp Scheme**



3. Details of the Merger and the Touchcorp Scheme

3.1

Overview

On 23 February 2017, Afterpay and Touchcorp announced an initial intention to merge. On 30 March 2017, Touchcorp announced that it had entered into a Merger Implementation Agreement with Afterpay and Afterpay Touch Group under which, subject to the satisfaction or waiver of a number of conditions, Touchcorp agreed to propose the Touchcorp Scheme to Touchcorp Shareholders and Afterpay agreed to propose the Afterpay Scheme to Afterpay Scheme Shareholders. A summary of the key terms of the Merger Implementation Agreement is included in section 9.12 of this Scheme Booklet.

3.2

The Merger and Touchcorp Scheme

The Touchcorp Scheme is a scheme of arrangement between Touchcorp and the Touchcorp Scheme Participants. If the Touchcorp Scheme becomes Effective, Afterpay Touch Group will acquire all Touchcorp Shares and Touchcorp will become a wholly owned Subsidiary of Afterpay Touch Group.

The Merger involves the acquisition by Afterpay Touch Group of:

- (a) all of the Touchcorp Shares following the implementation of the Touchcorp Scheme; and
- (b) following the implementation of the Touchcorp Scheme, all of the Afterpay Shares (other than the Afterpay Shares held by the Excluded Shareholder) following the implementation of the Afterpay Scheme.

At the completion of the Merger, on a fully diluted basis Afterpay Touch Group will be owned approximately 36.5% by Touchcorp Scheme Participants and 56.5% by Afterpay Scheme Participants (or 39.3% and 60.7% respectively on an undiluted basis). The balance of the fully diluted position will be comprised of replacement Afterpay Touch Group Employee Rights issued in exchange for Afterpay option/performance rights under the Afterpay Touch Group Employee Incentive Plan.

The Touchcorp Scheme and the Afterpay Scheme are inter-conditional. Accordingly, for the Merger to proceed, both the Touchcorp Scheme and the Afterpay Scheme must be approved and become Effective. The effect of the Merger will be such that after the implementation of the Afterpay Scheme both Afterpay and Touchcorp will become wholly-owned Subsidiaries of Afterpay Touch Group (indirectly, in the case of Afterpay) and members of the Merged Group with Afterpay Touch Group as the holding company.

3.3

Touchcorp Scheme Consideration

If the Merger is implemented, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares for each Touchcorp Share they own as at the Record Date. The number of Afterpay Touch Group Shares a Touchcorp Scheme Participant receives will be rounded to the nearest whole number. It is anticipated that Afterpay Touch Group Shares will commence trading on ASX on a deferred settlement basis on 29 June 2017 and on a normal trading basis on 10 July 2017.

3.4

Conditions to the Touchcorp Scheme

The implementation of the Touchcorp Scheme is subject to a number of conditions as summarised in Section 9.12 and set out in full in the Touchcorp Scheme of Arrangement in Annexure C, which include:

- Touchcorp Shareholder approval by the Requisite Majority;
- the Bermudian Court sanctioning the Touchcorp Scheme and such order being delivered to the Bermuda Registrar of Companies for registration;
- no material adverse change or certain specific company events occurring in relation to Afterpay or Touchcorp;
- no prescribed occurrences in relation to Afterpay or Touchcorp occurring;
- each of Afterpay, Touchcorp and Afterpay Touch Group's warranties remaining true and correct in all material respects;
- Afterpay Touch Group obtaining ASX listing approval; and
- approval of the Afterpay Scheme and the Afterpay Scheme becoming Effective.

The Touchcorp Scheme and Afterpay Scheme are inter-conditional. This means that the Touchcorp Scheme cannot occur unless the Afterpay Scheme is also approved. Accordingly, for the Touchcorp Scheme to proceed, the Afterpay Scheme must also become Effective.

The Afterpay Scheme (and therefore the Touchcorp Scheme) were also previously conditional on Afterpay Shareholder approval of the issue of Afterpay Touch Group Shares under the Afterpay Touch Group Employee Incentive Plan. However, this issue is not proceeding at this time and accordingly this condition has been waived by Touchcorp and Afterpay and is therefore no longer required.

3.5

Touchcorp Scheme Meeting

On 12 May 2017, the Bermudian Court ordered that Touchcorp convene the Touchcorp Scheme Meeting in accordance with the Notice of Touchcorp Scheme Meeting and appointed Michael Jefferies to chair the meeting.

The Bermudian Court order does not constitute an endorsement of, or any other expression of opinion on, the Touchcorp Scheme or this Scheme Booklet.

The purpose of the Touchcorp Scheme Meeting is for Touchcorp Shareholders to consider whether to approve the Touchcorp Scheme. Touchcorp Shareholders who are registered on the Touchcorp Register at 7.00pm (AEST) on Friday, 16 June 2017 are entitled to vote at the Touchcorp Scheme Meeting.

Instructions on how to attend and vote at the Touchcorp Scheme Meeting are summarised on page 7 and set out in full in the Notice of Touchcorp Scheme Meeting in Annexure E.

3.6

Approvals at the Touchcorp Scheme Meeting

The Touchcorp Scheme will be approved by the Touchcorp Shareholders if the Touchcorp Shareholders voting in favour of the Touchcorp Scheme are:

- (a) a majority in number (more than 50%) of Touchcorp Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting; and
- (b) representing at least 75% in value of the Touchcorp Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting.

The resolution for the Touchcorp Scheme will be voted on by way of poll.

3.7

Key steps to implement the Merger and the Touchcorp Scheme

The key steps to implement the Merger and the Touchcorp Scheme are as follows:

- (a) Touchcorp Shareholders will vote on whether to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting. Each Touchcorp Shareholder as at 7:00pm (AEST) on Friday, 16 June 2017 is entitled to vote at the Touchcorp Scheme Meeting.
- (b) Afterpay Scheme Shareholders will vote on whether to approve the Afterpay Scheme at the Afterpay Scheme Meeting.
- (c) If Touchcorp Shareholders approve the Touchcorp Scheme, and all conditions to the Touchcorp Scheme have been satisfied or waived, other than:
 - (i) Bermudian Court sanction of the Touchcorp Scheme;
 - (ii) delivery of an office copy of the Bermudian Court order sanctioning the Touchcorp Scheme to the Bermuda Registrar of Companies for registration; and
 - (iii) approval of the Afterpay Scheme by the Australian Court,
 then Touchcorp will apply to the Bermudian Court for a sanction of the Touchcorp Scheme, subject to the Afterpay Scheme becoming Effective.
- (d) If the Bermudian Court sanctions the Touchcorp Scheme, Touchcorp will deliver an office copy of the Bermudian Court order sanctioning the Touchcorp Scheme to the Bermuda Registrar of Companies for registration. The date on which this occurs will be the Effective Date for the Touchcorp Scheme (but it will only be deemed to have occurred once the Afterpay Scheme becomes Effective).
- (e) If Afterpay Scheme Shareholders approve the Afterpay Scheme and all conditions to the Afterpay Scheme (other than Australian Court approval and lodgement of the Australian Court orders with ASIC) have been satisfied or waived, Afterpay will apply to the Australian Court for approval of the Afterpay Scheme.
- (f) If the Australian Court approves the Afterpay Scheme, Afterpay will lodge with ASIC a copy of the Australian Court orders approving the Afterpay Scheme. The date on which this occurs will be the Effective Date for the Afterpay Scheme.
- (g) On the Implementation Date, Afterpay Touch Group will:
 - (i) acquire all of the Touchcorp Shares;
 - (ii) subsequently acquire all of the Afterpay Shares (other than those held by the Excluded Shareholder); and
 - (iii) issue the Touchcorp Scheme Consideration and the Afterpay Scheme Consideration.

3. Details of the Merger and the Touchcorp Scheme (continued)

Following implementation of the Touchcorp Scheme, Touchcorp will cease trading on ASX and will be removed from the official list of ASX.

- (h) Afterpay Touch Group Shares issued as Touchcorp Scheme Consideration will commence trading on a deferred settlement basis on ASX on 29 June 2017 and on a normal trading basis on 10 July 2017.

Touchcorp Shareholders may oppose the sanction by the Bermudian Court of the Touchcorp Scheme. If you wish to oppose the sanction of the Touchcorp Scheme at the Second Bermudian Court Hearing, you may do so by filing with the Bermudian Court, and serving on Touchcorp, an affidavit setting out the reasons for your opposition. Such affidavit evidence must be filed in advance of the Second Bermudian Court Hearing. You will be entitled to attend and make representations, either through counsel or in person, at the Second Bermudian Court Hearing in support of your evidence.

Alternatively, you may appear at the Second Bermudian Court Hearing and make representations and give evidence to the Bermudian Court as to why you oppose the approval of the Touchcorp Scheme. The date for the Second Bermudian Court Hearing is currently scheduled to be 23 June 2017, although this date is subject to change. Any change to this date will be announced through ASX.

3.8

What happens if the Touchcorp Scheme proceeds?

If the Touchcorp Scheme is approved by Touchcorp Shareholders by the Requisite Majority and sanctioned by the Bermudian Court on the Second Bermudian Court Date (and the Afterpay Scheme becomes Effective), all Touchcorp Shareholders who hold Touchcorp Shares as at the Record Date, being Touchcorp Scheme Participants, will participate in the Touchcorp Scheme, regardless of their voting decision.

Touchcorp will notify ASX and apply for Touchcorp Shares to be suspended from trading from close of trading on the Effective Date. Following the Implementation Date, Touchcorp will apply for termination of the official quotation of Touchcorp Shares and removal from the official list of ASX.

If approved and implemented, the Touchcorp Scheme and the Merger will result in:

- (a) each Touchcorp Scheme Participant (other than Ineligible Foreign Shareholders) receiving the Touchcorp Scheme Consideration;
- (b) each Ineligible Foreign Shareholder receiving the net sale proceeds from the sale of the Afterpay Touch Group Shares to which they would otherwise have been entitled, after deducting any applicable brokerage, stamp duty and other taxes;
- (c) the transfer of all Touchcorp Shares to Afterpay Touch Group;

- (d) Touchcorp being delisted from ASX and becoming a wholly-owned Subsidiary of Afterpay Touch Group; and
- (e) on implementation of the Afterpay Scheme, Afterpay becoming an indirectly wholly-owned Subsidiary of Afterpay Touch Group.

3.9

Implementation of the Touchcorp Scheme on the Implementation Date

If the Touchcorp Scheme becomes Effective, Afterpay Touch Group will acquire all of the Touchcorp Shares and will provide Touchcorp Scheme Participants with the Touchcorp Scheme Consideration on the Implementation Date, currently expected to be 6 July 2017. After the Touchcorp Scheme becomes Effective, a Touchcorp Scheme Participant must not dispose of, purport or agree to dispose of, any Touchcorp Shares or any interest in them after the Record Date. Touchcorp will disregard any such disposal and any attempt to do so will have no effect.

On the Implementation Date, in consideration for the transfer of each Touchcorp Share to Afterpay Touch Group:

- (a) Afterpay Touch Group will issue to each Touchcorp Scheme Participant (other than Ineligible Foreign Shareholders) such number of new Afterpay Touch Group Shares as that Touchcorp Scheme Participant is entitled to as Touchcorp Scheme Consideration;
- (b) Afterpay Touch Group will issue to a Sale Nominee such number of new Afterpay Touch Group Shares that would otherwise have been issued to the Ineligible Foreign Shareholders; and
- (c) Afterpay Touch Group will procure the entry in the Afterpay Touch Group Register of the name and address of:
 - (i) each Touchcorp Scheme Participant who is not an Ineligible Foreign Shareholder in respect of the new Afterpay Touch Group Shares issued to them; and
 - (ii) the Sale Nominee appointed by Afterpay Touch Group in respect of those new Afterpay Touch Group Shares that would otherwise be issued to each Touchcorp Scheme Participant who is an Ineligible Foreign Shareholder.

Holding statements, or confirmation for CHES holdings, detailing the issue of new Afterpay Touch Group Shares are expected to be dispatched to Afterpay Touch Group Shareholders within five Business Days after the Implementation Date. Holdings statements or confirmations will be sent to the registered address of Touchcorp Scheme Participants.

3.10

Share capital of Afterpay Touch Group following implementation

If the Merger is implemented, the share capital of Afterpay Touch Group will be as follows:

Type of security pre-Merger	Number of Afterpay Touch Group Shares held on a fully diluted basis	% of total Afterpay Touch Group Shareholding on an undiluted basis	% of total Afterpay Touch Group Shareholding – fully diluted
Afterpay Scheme Participants (other than Ineligible Foreign Shareholders)	130,337,038	60.7%	56.5%
Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders)	84,418, 284	39.3%	36.5%
Afterpay employee options/performance rights on issue pre-Merger	16,220,000 (once issued)	0.0%	7.0%
TOTAL	230,975,322	100.0%	100.0%

Fully diluted basis means the number of Afterpay Touch Group Shares that would be on issue following completion of the Merger if all Afterpay employee options/performance rights were vested and exercised.

The capital structure of Afterpay Touch Group set out above does not include the proposed future issue of up to 12 million Afterpay Touch Group Employee Rights under the Afterpay Touch Group Employee Incentive Plan (see further section 3.30).

Following implementation of the Merger, the following directors will hold Afterpay Touch Group Shares:

	Number of Afterpay Touch Group Shares held	% of Afterpay Touch Group Shareholding
Anthony Eisen	25,000,000	11.65%
Nicholas Molnar	25,000,000	11.65%
Michael Jefferies	4,323,226	2.02%
David Hancock	2,500,000	1.17%
Clifford Rosenberg	1,000,000	0.47%
Elana Rubin	21,567	0.01%

3.11

Recommendation of Directors

Your Directors consider that the Touchcorp Scheme and the Merger are in your best interests as a Touchcorp Shareholder and unanimously recommend that you vote in favour of the Touchcorp Scheme in the absence of a Superior Proposal for the reasons set out in section 1.1. Your Directors consider that the reasons for Touchcorp Shareholders to vote in favour of the Touchcorp Scheme outweigh the reasons to vote against the Touchcorp Scheme. As at the date of this Scheme Booklet, no Superior Proposal for Touchcorp has emerged.

Each Touchcorp director intends to vote the Touchcorp Shares that they own or control, and will direct any Touchcorp proxies placed at their discretion in favour of the Touchcorp Scheme in the absence of a Superior Proposal.

In making their recommendation and determining how to vote on the Touchcorp Scheme, the Directors have considered the following:

- the reasons for Touchcorp Shareholders to vote in favour of the Touchcorp Scheme, as set out in section 1.1;
- the reasons for Touchcorp Shareholders not to vote in favour of the Touchcorp Scheme as set out in section 1.2;
- the risks associated with the Touchcorp Scheme, as set out in section 7.1; and
- the Independent Expert's Report, which has concluded that the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders, in the absence of a Superior Proposal, a full copy of which is included in Annexure A.

Before making your decision in relation to the Touchcorp Scheme, the Directors encourage you to read this Scheme Booklet in its entirety, having regard to your investment objectives, financial situation, tax position or particular needs. If you have any questions in relation to this Scheme Booklet or the Touchcorp Scheme, you should call the Shareholder Information Line on 1300 560 339 (within Australia) and +61 2 8011 0354 (outside Australia) between 9.00am to 5.00pm (AEST) Monday to Friday, or visit the website www.touchcorp.com. Alternatively, you should contact your financial, legal, taxation or other professional adviser.

The interests of Touchcorp Directors are disclosed in section 9.2.

3. Details of the Merger and the Touchcorp Scheme (continued)

3.12

Independent Expert's conclusion

Your Directors have engaged RSM to consider whether the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders and prepare a report with its findings and conclusions.

The Independent Expert has concluded that the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders, in the absence of a Superior Proposal.

The Independent Expert summarised its views on the likely advantages and disadvantages of the Touchcorp Scheme for Touchcorp Shareholders as follows:

Key advantages

- The Independent Expert has concluded the Touchcorp Scheme is fair to the Touchcorp Shareholders.
- As the Touchcorp Scheme Consideration is in the form of scrip in Afterpay Touch Group, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will continue to share in any benefits and risks associated with being an investor in Touchcorp.
- There are likely to be synergies available from combining the Touchcorp and Afterpay businesses into a single listed entity, including operational efficiencies from increased scale and overhead efficiencies generated from a single company structure.
- Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) if the Touchcorp Scheme is approved will benefit from any synergies generated from a single company structure.
- The anticipated growth in Afterpay's business is based upon Touchcorp's software platform and its development. The anticipated growth in the Afterpay business is expected to result in additional transactional revenue for Touchcorp.
- Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive Afterpay Touch Group Shares for their Touchcorp Shares and, therefore, retain the potential benefit of sharing in any premium for control that may be paid by a potential acquirer of Afterpay Touch Group subsequent to the Merger being approved.
- Afterpay is a larger company by market capitalisation and, together with Touchcorp, the increased size and profile of Afterpay Touch Group may result in more institutional coverage. Further, as a larger entity, there may be an improvement in the liquidity of Afterpay Touch Group Shares, compared to Touchcorp.
- Further, Touchcorp continues to devote resources to the development and support of the Afterpay business. A combined focus of the two entities may result in the generation of greater shareholder value than could be achieved as two standalone entities.

Key disadvantages

- Subsequent to implementation of the Merger, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will be diluted to a 36.5% interest in Afterpay Touch Group (on a fully diluted basis). The dilution of Touchcorp Shareholders interests reduces the ability of Touchcorp Scheme Participants to influence the strategic direction of Afterpay Touch Group, including acceptance or rejection of takeover or merger proposals.
- Details of the taxation implications for Australian resident Touchcorp Scheme Participants are set out in Section 8 of the Scheme Booklet. The taxation consequences for Touchcorp Scheme Participants will depend upon their individual circumstances. In some circumstances tax consequences may be unfavourable to certain Touchcorp Scheme Participants. If in any doubt, Touchcorp Scheme Participants should consult their own professional adviser.
- Afterpay Touch Group Shareholders will, following the Merger, be exposed to any potential downside that may result from being a shareholder of an entity, which owns both Touchcorp and Afterpay by having increased exposure to the Afterpay risks compared to those that come from Touchcorp's current interest in Afterpay.

A copy of the Independent Expert's Report (which sets out further details about the Independent Expert's conclusions) is set out in Annexure A. Touchcorp Shareholders are encouraged to read this report in its entirety.

Comparison with Afterpay's independent expert's report

The directors of Afterpay have commissioned their own independent expert's report from LEA ("**LEA Report**") for the benefit of Afterpay Shareholders in relation to the Afterpay Scheme. The LEA Report assesses the Merger and the Afterpay Scheme on a different basis and for a different purpose to RSM's Independent Expert's Report for Touchcorp Shareholders ("**RSM Report**"). A full copy of the LEA Report is available on the ASX website at asx.com.au as part of the Afterpay Scheme booklet. The differences between the RSM Independent Expert's Report for Touchcorp Shareholders and the LEA Report for Afterpay Shareholders include the following:

- The RSM Report assesses the Merger and the Touchcorp Scheme on the basis that the Merger is a change of control transaction for Touchcorp Shareholders, and that Touchcorp Shareholders receive a premium for control. In contrast, the LEA Report assesses the Merger and the Afterpay Scheme as a merger from the perspective of

Afterpay Shareholders rather than a change of control transaction and Afterpay Shareholders do not receive a control premium.

- RSM values the assets of Touchcorp (other than its shareholding in Afterpay) on a controlling interest basis, determining that the net asset value of Touchcorp ranges between a low of approximately \$159 million and a high of approximately \$175 million. Notwithstanding that the valuation was on a controlling basis (and therefore would be expected to be higher than if on a minority or portfolio basis) this assessment of Touchcorp by RSM is sufficiently materially different that it results in a lower value than the value of Touchcorp determined by LEA on a portfolio interest basis, being a low of approximately \$198 million and a high of \$225 million. The reason for this material difference in valuation between the two experts, RSM and LEA, is due to the difference in valuation methodology of Touchcorp's assets (other than its shareholding in Afterpay), and therefore a difference in opinion as to what Touchcorp is contributing to the Merged Group.

After assessing the Merger and the Afterpay Scheme as a merger from the perspective of Afterpay Shareholders, the LEA Report concludes that the Afterpay Scheme is fair and reasonable, and in the best interests of, Afterpay Shareholders.

Your Directors recommend that Touchcorp Shareholders read RSM's Independent Expert's Report in Annexure A as it specifically considers Touchcorp Shareholders' interests and was prepared for the purposes of the Touchcorp Scheme.

3.13

Your choices as a Touchcorp Shareholder

As a Touchcorp Shareholder you have the following choices:

- you can vote at the Touchcorp Scheme Meeting in person, by attorney or by proxy;
- you can elect not to vote at the Touchcorp Scheme Meeting;
- you can sell your Touchcorp Shares on ASX. If you sell your Touchcorp Shares on ASX you may incur brokerage costs. If the Touchcorp Scheme becomes Effective, Touchcorp Shares will cease trading on ASX at close of trading on the Effective Date. Accordingly, you can sell your Touchcorp Shares on market at any time before the close of trading on the day that the Touchcorp Scheme becomes Effective (although normal brokerage and other expenses on sale may be incurred). This is expected to occur on 28 June 2017; or
- you can do nothing.

3.14

How to vote

Touchcorp Shareholders can vote in either of two ways:

- by attending the Touchcorp Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote on their behalf.

See the 'How do I vote?' section on page 4 for full details on how to vote.

3.15

Eligibility to vote

The time for determining eligibility to vote at the Touchcorp Scheme Meeting is 7.00pm (AEST) on Friday, 16 June 2017. Only those Touchcorp Shareholders entered on the Touchcorp Register at that time will be entitled to attend and vote at the Touchcorp Scheme Meeting.

3.16

Determination of persons entitled to the Touchcorp Scheme Consideration

To establish the identity of the Touchcorp Scheme Participants, dealings in Touchcorp Shares will only be recognised by Touchcorp if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Touchcorp Register as the holder of the relevant Touchcorp Shares as at the Record Date; and
- in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received by the Touchcorp Share Registry by the Record Date.

Subject to the Companies Act, Listing Rules and the Touchcorp Bye-laws, Touchcorp must register any registrable transmission application or transfers of the Touchcorp Shares received by the Record Date. Touchcorp will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Touchcorp Shares received after the Record Date.

3.17

Touchcorp Scheme Participants

Those Touchcorp Shareholders (other than Ineligible Foreign Shareholders) on the Touchcorp Register on the Record Date, being 5.00pm on the third Business Day following the Effective Date, will be entitled to receive the Touchcorp Scheme Consideration in respect of the Touchcorp Shares they hold as at the Record Date.

3. Details of the Merger and the Touchcorp Scheme (continued)

3.18

Touchcorp Register

Touchcorp must register any registrable transmission applications or transfers of the Touchcorp Shares received by the Record Date.

3.19

No disposals after Effective Date

If the Touchcorp Scheme becomes Effective, you may not dispose of any Touchcorp Shares after the Effective Date. Any dealings in Touchcorp Shares after this time will not be recognised.

3.20

Maintenance of the Touchcorp Register

For the purpose of determining entitlements to the Touchcorp Scheme Consideration, Touchcorp will maintain the Touchcorp Register until Afterpay Touch Group has been entered in the Touchcorp Register as the holder of all the Touchcorp Shares. The Touchcorp Register in this form will solely determine Touchcorp Shareholders' entitlements to the Afterpay Touch Group Shares.

3.21

Ineligible Foreign Shareholders

A Touchcorp Scheme Participant whose address as recorded on the Touchcorp Register as at the Record Date is a place outside Australia and its external territories, New Zealand or any other jurisdiction which Touchcorp and Afterpay Touch Group reasonably determine, will not be entitled to receive any Afterpay Touch Group Shares under the Touchcorp Scheme unless Touchcorp and Afterpay Touch Group determine that:

- (a) it is lawful and not unduly onerous or impracticable to issue that Touchcorp Scheme Participant with Afterpay Touch Group Shares if the Touchcorp Scheme becomes Effective; or
- (b) it is lawful for that Touchcorp Scheme Participant to participate in the Touchcorp Scheme by the law of the relevant place outside Australia and its external territories,

each such person not entitled being an Ineligible Foreign Shareholder for the purposes of the Touchcorp Scheme.

Ineligible Foreign Shareholders will not be issued Afterpay Touch Group Shares under the Touchcorp Scheme. Instead, the Afterpay Touch Group Shares that would otherwise have been issued to them under the Touchcorp Scheme will be issued to a Sale Nominee appointed by Afterpay Touch Group on the Implementation Date.

Under the terms of the Touchcorp Scheme, Afterpay Touch Group is required, as soon as reasonably practicable after the Implementation Date (and in any event within 15 Business Days) to procure the Sale Nominee to:

- (a) sell those Afterpay Touch Group Shares on ASX (in such manner and at such price and on such other terms as the Sale Nominee determines); and
- (b) pay the net sale proceeds received, after deducting any applicable brokerage, stamp duty and other taxes, to the Ineligible Foreign Shareholders.

Touchcorp, Afterpay Touch Group and the Sale Nominee give no assurance as to the price that will be achieved for the sale of Afterpay Touch Group Shares described above. The proceeds that Ineligible Foreign Shareholders will receive may be more or less than the market value of Afterpay Touch Group Shares as at the date of this Scheme Booklet. Sale of the Afterpay Touch Group Shares by the Sale Nominee may result in a significant number of Afterpay Touch Group Shares being offered for sale at the same time, which may have the effect of reducing the sale price of those shares.

Full details of this process are contained in clauses 4.3 to 4.4 of the Touchcorp Scheme of Arrangement, which is set out in Annexure C.

3.22

Deemed warranty on transfer of Touchcorp Shares to Afterpay Touch Group

Under the terms of the Touchcorp Scheme each Touchcorp Scheme Participant is deemed to have warranted to Afterpay Touch Group and appointed and authorised Touchcorp as its attorney and agent to warrant to Afterpay Touch Group that all of their Touchcorp Shares will, at the date of the transfer, be fully paid and free from all encumbrances (such as mortgages and other security interests) and that they have full power and capacity to transfer their Touchcorp Shares (including any rights and entitlements attaching to those Touchcorp Shares) to Afterpay Touch Group. See clause 7.3 of the Touchcorp Scheme of Arrangement in Annexure C. Touchcorp undertakes that it will provide the warranty to Afterpay Touch Group as agent and attorney of each Touchcorp Shareholder. You should ensure that your Touchcorp Shares are free of any such mortgages or security interests.

3.23

Touchcorp Deed Poll

A summary of the key terms of the Touchcorp Deed Poll is set out in section 9.14 of this Scheme Booklet. A copy of the Touchcorp Deed Poll is also included in Annexure D.

3.24

Taxation implications

A general guide to the taxation implications of the Touchcorp Scheme for Touchcorp Shareholders who are resident in Australia for tax purposes is set out in section 8 of this Scheme Booklet. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Touchcorp Shareholder. Touchcorp Shareholders should seek their own independent advice regarding the tax consequences to them from participating in the Touchcorp Scheme with regard to their own specific circumstances.

3.25

Suspension of trading

Touchcorp will apply to ASX for suspension of trading in Touchcorp Shares on ASX after close of trading on the day the Touchcorp Scheme becomes Effective. Following final implementation of the Touchcorp Scheme, Touchcorp will request ASX to remove it from the official list of ASX.

3.26

Listing of Afterpay Touch Group on ASX and trading

In conjunction with the implementation of the Merger, Afterpay Touch Group is seeking a listing for Afterpay Touch Group Shares on ASX.

Afterpay Touch Group will seek confirmation from ASX that, from the Business Day after the Effective Date (or such other date as ASX requires), the Afterpay Touch Group Shares issued as Touchcorp Scheme Consideration and Afterpay Scheme Consideration will be quoted on ASX. New Afterpay Touch Group Shares are expected to trade on a deferred settlement basis from the commencement of trading on this date.

The entitlement to receive the Afterpay Touch Group Shares pursuant to the Touchcorp Scheme is not transferable save to satisfy valid market claims. It is the responsibility of each new Afterpay Touch Group Shareholder to confirm their holding before trading in Afterpay Touch Group Shares to avoid the risk of selling shares that they do not own. Holders of new Afterpay Touch Group Shares who sell their shares before they receive their holding statement or confirm

their uncertificated holdings of Afterpay Touch Group Shares (as applicable) do so at their own risk.

Trading on ASX on a normal settlement basis of Afterpay Touch Group Shares issued as Touchcorp Scheme Consideration is expected to commence on 10 July 2017.

3.27

Afterpay Touch Group trading

Afterpay Touch Group Shares will commence trading on a deferred settlement basis on ASX on the Business Day following the Effective Date, which is anticipated to be 29 June 2017.

It is anticipated that Afterpay Touch Group Shares will commence trading on a normal basis on ASX on 10 July 2017.

3.28

What happens if the Touchcorp Scheme does not proceed?

If the Touchcorp Scheme is not approved by a Requisite Majority of Touchcorp Shareholders at the Touchcorp Scheme Meeting or all of the conditions to the Touchcorp Scheme are not satisfied or waived:

- (a) Touchcorp will remain listed on ASX;
- (b) you will retain your Touchcorp Shares;
- (c) Touchcorp will continue to hold an interest in Afterpay, by retaining its Afterpay Shares;
- (d) Touchcorp Shareholders will not receive any Afterpay Touch Group Shares; and
- (e) Touchcorp Shareholders will remain exposed to the risks of Touchcorp, as discussed in section 7.1(g).

Your Directors believe that if the Touchcorp Scheme is not implemented then the price of Touchcorp Shares may fall.

Before the Touchcorp Scheme Meeting, Touchcorp estimates that it will have incurred or committed transaction costs of approximately \$1.3m in relation to the Touchcorp Scheme. Those costs will be payable by Touchcorp regardless of whether or not the Touchcorp Scheme is approved and becomes Effective.

Depending on the reasons why the Touchcorp Scheme did not proceed, Touchcorp may be liable to pay a break fee of \$750,000 to Afterpay. See section 9.12 for further details on the break fee.

If the Touchcorp Scheme does not proceed, you will retain your Touchcorp Shares. Your Directors intend to continue to operate Touchcorp as a listed public company carrying on the existing Touchcorp business under the leadership of the current senior management and will resume an executive search to find a new Managing Director.

3. Details of the Merger and the Touchcorp Scheme (continued)

3.29

Afterpay Employee Rights

Afterpay has made grants of performance rights and options which are subject to vesting conditions based on continuation of employment and performance criteria. In addition, Afterpay has granted loan shares (Afterpay Shares issued subject to vesting conditions and a limited recourse loan) to certain employees of Touchcorp who service Afterpay, to incentivise them.

It is a condition of the Merger Implementation Agreement that prior to 8.00am on the Second Australian Court Date, Exchange of Options / Rights Deeds are executed by the holders of Afterpay Employee Rights on issue as at the date of the Merger Implementation Agreement.

Afterpay will seek to enter into an Exchange of Options / Rights Deed with all holders of performance rights and options under which their performance rights and/or options (as applicable) are exchanged on a one-for-one basis for the same number of performance rights and/or options (as applicable) in Afterpay Touch Group, to be granted in accordance with the Afterpay Touch Group Incentive Plan and on terms the same in all respects (including exercise price, expiry date and vesting conditions) as the terms of the Afterpay performance rights and/or options (as applicable) being replaced.

All holders of Afterpay loan shares will participate in the Afterpay Scheme as Afterpay Scheme Participants and will be asked to agree to amend the terms of the limited recourse loan agreement applicable to their loan shares such that the loan and associated security applies to the Afterpay Touch Group Shares which they will receive as Afterpay Scheme Consideration.

3.30

Intended grant of Afterpay Touch Group Employee Rights following Merger

Following implementation of the Merger, Afterpay Touch Group intends to grant to senior executives up to a total of 12 million employee rights in the form of limited recourse loan shares under the terms of the Afterpay Touch Group Employee Incentive Plan, with an issue price at a premium to the Afterpay share price at the time of announcement of the Merger. The rules of the Afterpay Touch Group Employee Incentive Plan are summarised in section 6.6.

Afterpay Touch Group Employee Rights are intended to be granted to each of Anthony Eisen (or his nominee) and Nicholas Molnar (or his nominee) in order to appropriately nominate and incentivise them to remain with the Merged Group and align their interests with the long term interests of all Afterpay Touch Group Shareholders. However, as they will be directors of Afterpay Touch Group, any such proposed awards will be subject to shareholder approval which would be sought at a separate general meeting of Afterpay Touch Group after implementation of the Merger, such as at the company's Annual General Meeting to be held later in 2017, at which time full details of the proposed grants (including issue price and vesting conditions) would be provided to shareholders of Afterpay Touch Group for consideration.

By voting for the Merger, Touchcorp Shareholders are not approving the issue of these shares. As noted above, approval of Afterpay Touch Group Shareholders (including the Touchcorp Scheme Participants) will be sought at some future date after the Merger becomes Effective.

3.31

Further information

If you have any questions or require further information about the Touchcorp Scheme, you should contact the Shareholder Information Line on 1300 560 339 (within Australia) and +61 2 8011 0354 (outside Australia) between 9.00am to 5.30pm (AEST) Monday to Friday, or visit the website www.touchcorp.com.

You should seek independent financial, legal, taxation or other professional advice before making any decision regarding this Touchcorp Scheme.

**Information
on Touchcorp**



4. Information about Touchcorp

4.1

Introduction

Touchcorp has designed, built, owns and operates a proprietary software platform that is called the Touch System Platform. This Touch System Platform enables consumers to quickly and simply purchase products both in-store, directly via secure self-service methods, and across mobile device applications, web sites, interactive voice recognition (“**IVR**”) systems and a variety of other methods.

The Touch System Platform is designed to minimise friction for merchant retailers and enhance the shopping experience for consumers. This allows merchant retailers to operate, and consumers to purchase, goods and services without unnecessary processes while having confidence that transaction services are consistently operational – with 100% uptime capability.

The Touch System Platform provides customers with competitive performance and cost advantages with sophisticated strategic and tactical fraud management capability. The Touch System Platform provides merchant retailers with the capacity to maximise transaction acceptance while minimising the cost of fraud to those merchant retailers. In some cases Touchcorp accepts fraud risk for merchant retailers.

Transactions conducted through the Touch System Platform are monitored in real-time, recorded and reviewed, and data in relation to the interaction between the merchant retailer and consumer is captured and stored securely. This data is utilised to develop business intelligence and provide insightful information about purchase habits of consumers, transaction integrity and anti-fraud assessments.

Touchcorp has offices in Melbourne, Croatia, Singapore and Bermuda. The Touchcorp international business started in 2005 and in 2016 it offered services primarily to the convenience store retail sector.

Touchcorp listed on the ASX in March 2015 and is a company incorporated in Bermuda and registered as a foreign company in Australia under the Corporations Act.

4.2

The Touch System

Touchcorp generates revenue from transaction fees for the delivery of transactions, integration fees for the connection of new customers to the Touch System Platform, and integration fees for granting existing customers with access to additional services.

Touchcorp operates across three business units: Mobility and Payments, Health and Government and Retail Services, with each business unit offering a wide range of services to its customers. The technology solutions Touchcorp provides across each of these business units use the Touch System Platform and Touchcorp has developed bespoke solutions to meet the specific requirements of each of these markets. These bespoke solutions and hardware comprise the Touch System Platform:

- (a) TouchPoint Technology – a suite of software technologies through which Touchcorp integrates with existing point-of-sale devices, payment terminals or practice management systems used by practitioners, used by merchant retailers or medical practitioners. The particular software used to connect with a particular supplier or merchant retailer varies depending on the existing systems and requirements of that supplier or merchant retailer.
- (b) eServices platform – a business-to-business connection point for merchant retailers, that serves as the management and supply channel between the Touch System Platform and the product / service suppliers. Merchant retailers connect their systems to the eServices platform to allow them to sell or provide electronic goods or services to consumers.
- (c) Mobility platform – a business-to-consumer connection point that enables suppliers to distribute electronic products directly to consumers through a number of channels such as websites, mobile sites, mobile applications and IVR systems. The mobility platform contains connections to multiple payment gateways that enable payments to be made directly from consumers to suppliers, and distributes those electronic products in real-time, and is supported by a transaction integrity filter that facilitates real-time transaction integrity control and fraud management for all transactions processed by the Touch System Platform.

(d) Integration platform – allows suppliers to connect to the Touch System Platform. The Integration Platform allows electronic products provided by suppliers to be transacted by merchant retailers via the eServices Platform, as well as directly to consumers via the mobility platform. This platform controls the flow of electronic products to multiple systems, reducing the costs of integration for suppliers, while simultaneously increasing the number of distribution channels of those electronic products.

(e) Data Centres – the hardware in five data centres across Australia and Europe that support the Touch System Platform. While Touchcorp owns the supporting infrastructure and hardware, those data centres are owned by third-party providers. Data centre providers are contractually required to ensure facilities remain operational in the event of failure in the various systems comprising the data centre’s service, thus ensuring the operational integrity of the Touch System Platform.

Figure 1 provides a diagrammatic representation of the Touch System Platform.

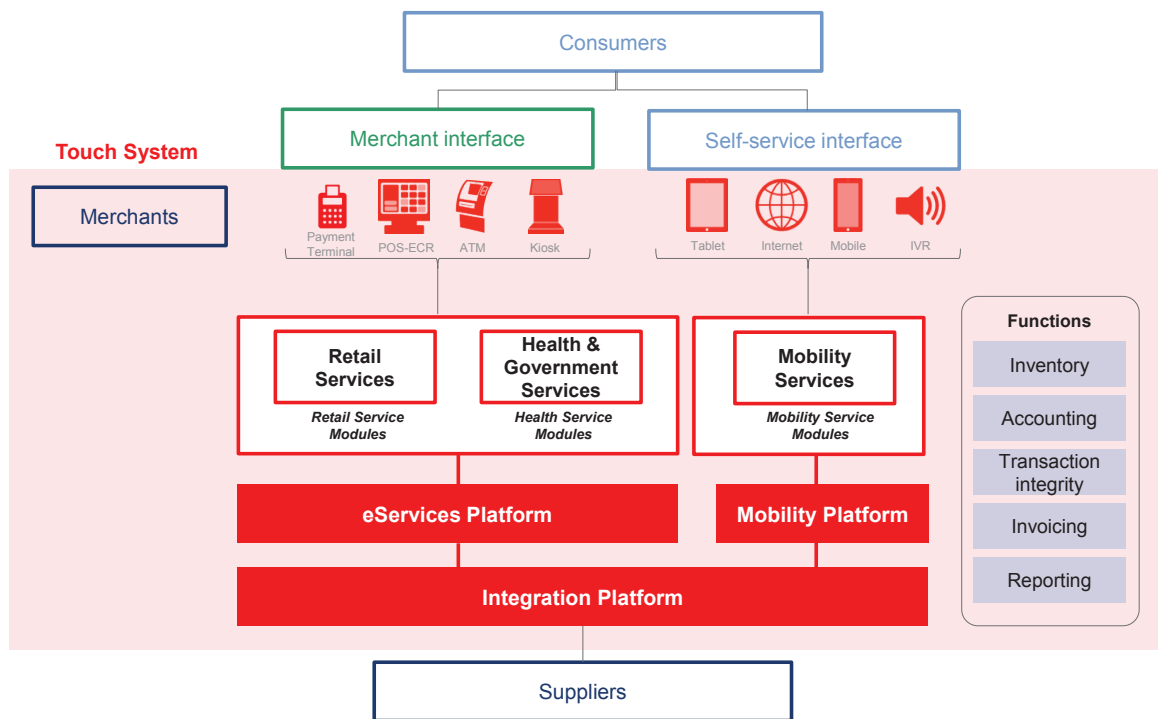


FIGURE 1
A DIAGRAMMATIC REPRESENTATION OF THE TOUCH SYSTEM PLATFORM

4. Information about Touchcorp
(continued)

4.3

Overview of operations

(a) Mobility and payments

The Touch System Platform enables merchant retailers in particular to sell goods and services via any consumer channel including in-store, IVR, website and mobile applications, as well as self-service methods.

Touchcorp provides solutions for clients in an environment where security for online transactions and business efficiency are becoming increasingly important in a competitive retail business environment. The Touch System Platform allows the identification of consumers and the establishment, registration, activation, and operation of consumer accounts including formal accounts requiring compliance with anti-money laundering (“AML”) or anti-terrorist (“ATL”) protocols to meet know your customer (“KYC”) requirements in multiple jurisdictions.

Touchcorp seeks to enhance the consumer experience by simplifying the process steps and reducing the time required to complete a transaction, and by providing more payment options. Consumer satisfaction is an important driver of consumer loyalty to specific suppliers and is often measured by a supplier’s net promoter

scores. Touchcorp works closely with merchant retailers and suppliers to enhance the consumer experience, largely through the delivery of high quality, reliable and effective self-service methods that reduce the times to complete transactions. Touchcorp also provides real-time processing and data analytics to suppliers and merchant retailers to enhance sales insights and performance.

Figure 2 illustrates an example of a completed transaction in the mobility services business unit.

This scenario outlines the process of a mobility services transaction. A consumer is seeking to purchase a mobile phone prepaid recharge voucher. The consumer accesses a Touchcorp-enabled mobile application downloaded on the consumer’s mobile device. The consumer elects to recharge using a selected payment option. The Touch System Platform receives this request and performs a series of transaction integrity checks before automatically crediting the consumer’s account with the mobile network operator for the purchased amount of credit. The Touch System Platform delivers confirmation of the mobile phone prepaid recharge to the consumer and informs the mobile network operators systems that the requested transaction has been completed to enable the mobile network operator’s inventory to be updated accordingly.

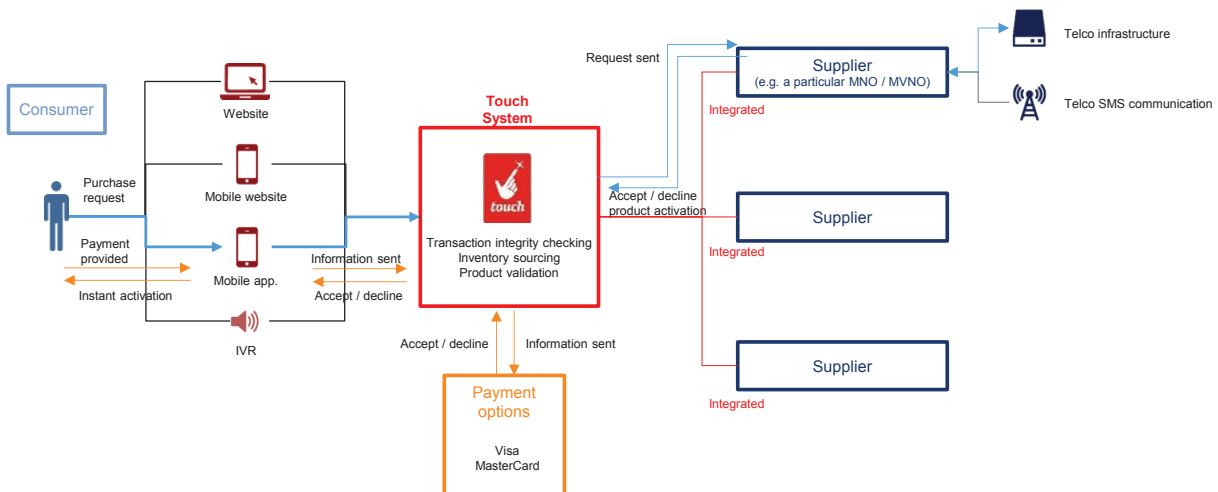


FIGURE 2
ILLUSTRATES AN EXAMPLE OF A COMPLETED TRANSACTION
IN THE MOBILITY SERVICES BUSINESS UNIT

(b) Health and Government

Health and Government is an Australian focused part of Touchcorp’s business. The Touch System Platform is used by the major banks such as NAB HICAPS, Commonwealth Bank, Suncorp and ANZ, in addition to Medicare and private health insurers.

The Touch System Platform enables a range of Medicare and private health insurer electronic claiming solutions which streamline the health claiming and payment processing for patients using Electronic Funds Transfer Point of Sale (EFTPOS) terminals.

The Touch System Platform is designed to streamline processing and payments of health insurance claims originating in medical and allied health practices in real-time at the point of service provision, using existing Electronic Funds Transfer Point of Sale (EFTPOS) payment terminals or practice management systems used by medical practitioners.

Figure 3 illustrates an example of a completed real-time transaction in the health and government services business unit.

This scenario outlines the process of a health and government services transaction. Following treatment, the consumer (ie. patient) is requested to pay for the services provided by the practitioner, and is also entitled to a Medicare rebate. The consumer presents a Medicare card and the transaction is processed on practice management system infrastructure that

is connected to the Touch System Platform through TouchPoint Technology. The Touch System Platform communicates directly with Medicare Australia, which assesses and then accepts the entitlement request and the Touch System Platform informs the bank to pay the Medicare rebate into the claimant’s account

(c) Retail services

The Touch System Platform enables point of sale devices commonly found in merchant retail stores such as Electronic Funds Transfer Point of Sale (“EFTPOS”) payment terminals, Electronic Cash Registers and self-service kiosks, to process and deliver transactions.

The types of transactions most commonly offered are electronic products such as mobile phone and data recharge vouchers, calling cards, iTunes cards, road tolls, transport tickets, gaming cards and fishing licences.

The Touch System Platform can be integrated with the merchant retailer’s technology infrastructure to inform the merchant retailer’s inventory management and accounting systems, in real-time, of any transactions conducted on the point-of-sale devices. Touchcorp can also perform transaction integrity services, and provide data analysis and reporting functions as required.

Figure 4 illustrates an example of a completed transaction in the retail services business unit.

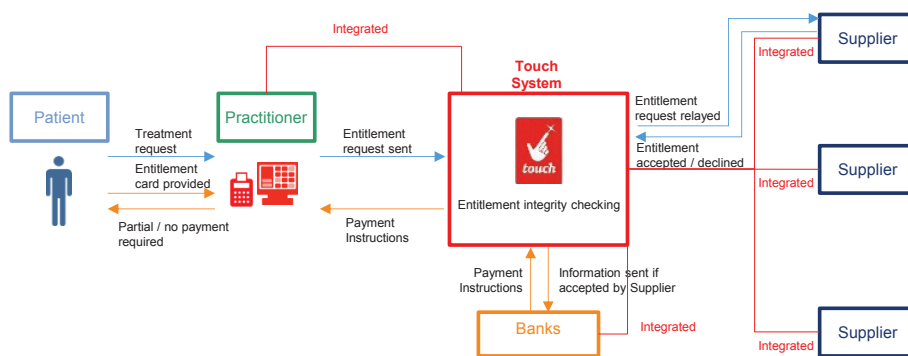


FIGURE 3
ILLUSTRATES AN EXAMPLE OF A COMPLETED REAL-TIME TRANSACTION
IN THE HEALTH AND GOVERNMENT SERVICES BUSINESS UNIT

4. Information about Touchcorp
(continued)

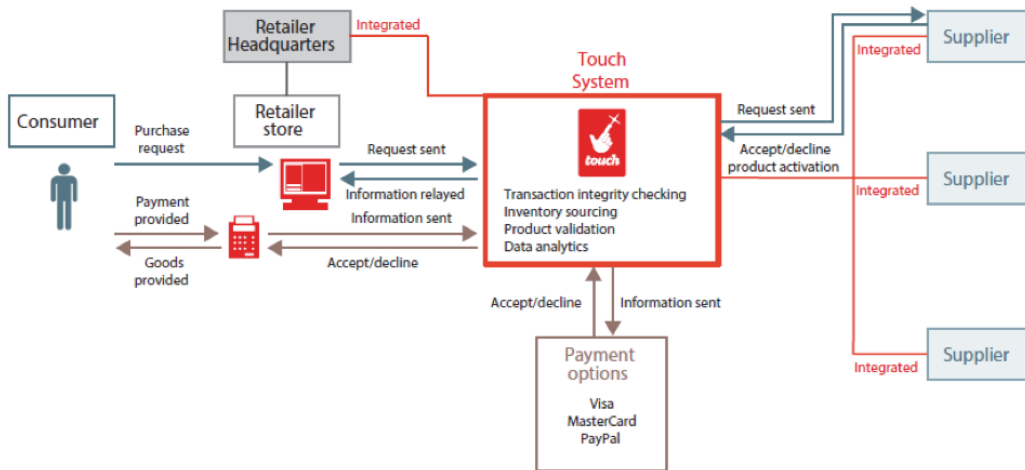


FIGURE 4
ILLUSTRATES AN EXAMPLE OF A COMPLETED TRANSACTION
IN THE RETAIL SERVICES BUSINESS UNIT

A consumer enters a merchant retailer’s store, for example 7-Eleven, and requests to purchase an electronic product, for example a mobile phone recharge voucher, that is provided by a supplier, for example SingTel Optus Telecommunications in Australia. The merchant retailer selects the mobile phone recharge product on the point of sale device, the consumer pays the merchant retailer for the mobile phone recharge and the transaction between the consumer, merchant retailer and supplier is managed by Touchcorp.

As illustrated below, Touchcorp’s retail services customers include a number of well-known convenience merchant retailers in Australia and Europe:

Touchcorp also has operations in Europe that provide electronic sale solutions for employment insurance

and money transfers, including supporting know your customer requirements, data collection and processing.

In order to support the supply programs managed through the Touch System Platform, Touchcorp has obtained, supports and maintain, a number of domestic and international certifications. For example, within the supply and management of health and government services transactions in Australia, Touchcorp requires the ongoing certification with the Information Security Registered Assessors Program (“IRAP”), meaning it must adhere to the Australian government’s policies and guidelines as provided by the Australian Signals Directorate (“ASD”) on information and communications technology (“ICT”) services in support of Australian security. As at December 2015, Touchcorp meets these policies and guidelines through Touchcorp’s continuous adherence



to its ongoing, regular and independently audited compliance program. Touchcorp’s compliance status is regularly audited by external, accredited IRAP auditors. By way of further example, Touchcorp also maintains PCI-DSS Level 1 Service Provider version 3.2 compliance for online payment processing on behalf of Touchcorp and its customers.

4.4

Business model

Touchcorp 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; and
- Integration fees for granting existing customers access to additional service models.
- Infrastructure fees for providing a bespoke Touch platform.

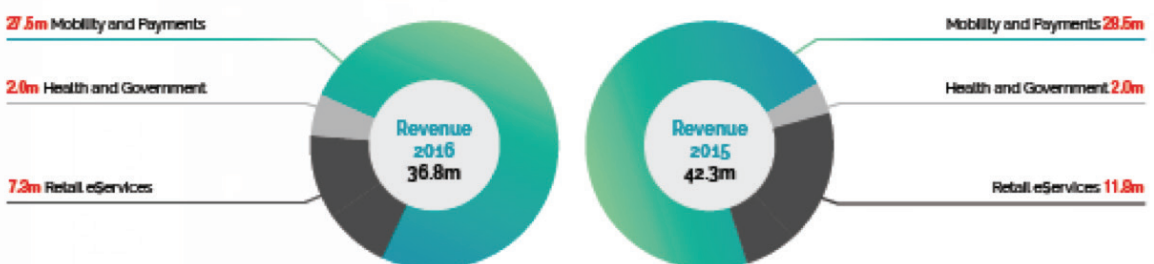
Touchcorp also generates additional revenue from marketing and advertising services, mostly from the sale of advertising space in the Touchcorp magazine, and providing other direct and indirect communications to merchant retailers and consumers.

Touchcorp’s expenses include:

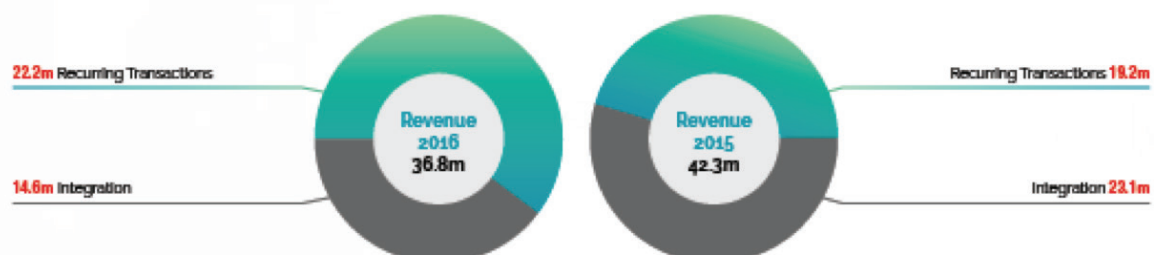
- (a) cost of sales – includes direct expenses paid to third-party providers (such as banks, payment gateways, point-of-sale software providers or

- practice management software providers) that are paid a fee per transaction to allow the transaction to traverse their system, or who process one or more aspects of the Touchcorp transaction;
- (b) employee benefits expenses – associated with payments to Touchcorp’s staff, including wages and salaries;
- (c) overheads and other indirect expenses – includes rent on premises, travel, accommodation, board costs, compliance, insurance and other similar expenses;
- (d) customer development expenses – those access fees or rebates paid to parties with whom Touchcorp seeks to co-operate to increase the number of transactions carried; and
- (e) depreciation and amortisation expenses – relate to the depreciation of computer hardware and infrastructure and amortisation of Touchcorp’s intellectual property. Depreciation relates to writing-off physical plant and equipment according to Touchcorp’s adopted accounting policies. Typically, the plant and equipment is written off either at purchase or over three or five years, depending on its useful life and initial purchase cost. The amortisation expense is the recognition of the write-down of the capitalised intellectual property on a five-year straight-line basis. Both the depreciation and amortisation expenses are expected to increase in absolute terms over time as a result of growth in Touchcorp’s business.

REVENUE BY BUSINESS UNIT



REVENUE BY BUSINESS SERVICE



4. Information about Touchcorp (continued)

Over the year ended 31 December 2016, Touchcorp processed 72.8 million consumer self-service transactions.

4.5

Business strategic focus

Touchcorp believes that the market for a platform that securely processes transactions and enables the sale of products and services is large, and continues to grow, as companies expand their traditional retail footprint with their online business to increase their consumer market, reduce product distribution costs, as well as offer purchase point choices that meet the needs of the consumer.

Touchcorp's objective is to deliver long-term returns to shareholders in the form of strong revenue growth and profitability by increasing the number of completed payment transactions enabled by our payment processing capabilities. We will achieve this outcome by:

- Supporting organic growth in the businesses we currently serve - as existing customers generate large numbers of paying transactions.
- Increasing the number of customers and countries in which Touchcorp operates – for which we will also receive integration fees and transaction fees.
- Supporting innovative new businesses with our technology – for which we will receive integration fees and transaction fees that will grow over time.
- Consistently innovating to ensure we develop at the pace at which both customers and their consumers are evolving. This is particularly important to support the growing need for security protections and the desire for revenue assurance.

4.6

Growth in Touchcorp

In May 2000, a Touchcorp predecessor entity commenced operations to provide flexible payment and electronic product delivery solutions through a network of touchscreen kiosks for a major service station retailer. Since 2000, Touchcorp has invested significantly into research and development in order to develop its technical capabilities and satisfy the demands of its merchant retailers and end-consumers.

In 2003, Touchcorp began forming relationships with major Australian retail banks and integrated with their EFTPOS payment systems to enable merchant retailers to sell electronic products in-store, including electronic products supplied by major Australian telecommunications providers that were also integrated with the Touch System.

In 2006, Touchcorp established its health and government services business unit to enable medical and allied health practitioners to digitalise their payment claiming process in real-time and the point of service provision. Touchcorp now processes Medicare Easyclaim transactions on behalf of four Medicare Easyclaim approved Authorised Deposit-Taking Institutions with the Department of Human Services.

In 2010, Touchcorp established its mobility services business unit to enable consumer self-service payment processing methods.

Touchcorp's European operations commenced in 2005.

In 2014, Touchcorp began implementing the eServices platform in to a newly formed relationship with the Reitan Group in Scandinavia, with the first country implementation beginning in Reitan Norway. Touchcorp also developed the systems to support Afterpay.

In 2015, Touchcorp launched its internal platform that ties key data attributes from core Touch Systems and allows an opinion-based transaction integrity check to be performed against all transactions in real-time.

In 2016, Touchcorp launched its first online payments solution with Cornercard Bank, allowing consumers to reload their Cornercard accounts attached to both Swatch Bellamy watches and ApplePay accounts.

4.7

Directors and senior management

The current Directors of Touchcorp are:

MICHAEL JEFFERIES,
EXECUTIVE CHAIRPERSON AND INTERIM
CHIEF EXECUTIVE OFFICER

Michael Jefferies was appointed as the Non-Executive Chairperson of Touchcorp in June 2004. On 2 November 2016, Michael was also appointed as the Acting Chief Executive Officer and Managing Director of Touchcorp.

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. He is also a Non-Executive Director of Homeloans Limited, Ozgrowth Limited and is a Non-Executive Chairperson of Pantoro Limited, and has been a director of a number of listed public companies in Australia and New Zealand and has over 30 years of public company and finance experience. Michael was also a Non-Executive Director of Afterpay from 26 August 2015 until 6 April 2017.

DUNCAN SAVILLE,
NON-EXECUTIVE DIRECTOR

Duncan Saville was appointed to the Touchcorp Board in October 2011.

Duncan is a chartered accountant and is currently Chairperson of ICM Limited, an international fund manager. In addition, he is Chairperson of Vix Technology Limited, Non-Executive Director of Cue Energy Resources Limited, New Zealand Oil and Gas Limited, Somers Limited and West Hamilton Holdings Limited. He was previously a Non-Executive Director of a number of listed entities. Due to Duncan's significant shareholding in Touchcorp, he is not considered independent.

Duncan has in excess of 30 years of public company and finance experience.

ELANA RUBIN,
NON-EXECUTIVE DIRECTOR

Elana Rubin was first appointed to the Touchcorp Board in January 2015. Elana has been a longstanding director of a number of public and private companies, with extensive experience in property and financial services. Elana is currently a Non-Executive Director of Mirvac Limited and several unlisted companies. Elana was previously a Non-Executive Director of TAL Life Limited and was a Director of Bravura Solutions. Elana was the former Chair of AustralianSuper and the Victorian WorkCover Authority. Elana has over 20 years' experience in the property and financial services sector.

The current senior managers of Touchcorp are:

NADINE LENNIE,
CHIEF FINANCIAL OFFICER

Nadine Lennie joined as the Chief Financial Officer of Touchcorp in January 2017. Prior to this Nadine was the Chief Financial Officer at Australia Pacific Airports Corporations which owns both Melbourne and Launceston Airports. Ms Lennie is a highly accomplished finance and governance leader with extensive experience and expertise in the development, implementation and communication of financial strategy. Ms Lennie has 20 years' experience in funds management and professional services sectors and holds a degree in economics (Actuarial Studies) from Macquarie University.

MATHEW CAGNEY,
SALES AND MARKETING DIRECTOR AUSTRALIA PACIFIC

Mathew Cagney is the Sales and Marketing Director – Australia Pacific for Touchcorp, responsible for the sales and marketing strategy, client value and revenue. Mat brings to Touchcorp over five years of global sales experience and over a decade of sales management experience.

Prior to joining Touchcorp in 2016, Mat served as General Manager Sales and Marketing, General Manager EMEA (Europe Middle East and Africa), and General Manager Product. During this time, he drove sales and brand growth within Australia, New Zealand and beyond into Europe and Asia. Mat established global partnerships with a number of large software companies to scale internationally and also led a direct sales teams in Australia, Asia and the United Kingdom.

4. Information about Touchcorp (continued)

KEITH CLEEVE, GENERAL MANAGER BUSINESS SOLUTIONS

Keith Cleeve founded Touchcorp with his brother Adrian and has been in his current position since 2013.

At Touchcorp, Keith is the business solutions and system architect where he assists in the development of a wide range of solutions that now constitute the Touch System Platform.

Keith started his career at Mobil Oil Australia initially as a programmer and subsequently has gained more than 38 years' experience across a wide range of technical and business roles.

Keith has a Bachelor of Science Degree from the University of Melbourne, a post graduate Information Technology Degree from Monash University and a Diploma of the Securities Institute of Australia.

If the Touchcorp Scheme does not proceed, the current senior management of Touchcorp will remain. If the Touchcorp Scheme is approved, the intentions of Afterpay Touch Group in relation to employees generally is set out in section 6.8.

4.8

Touchcorp Shares

As at 24 April 2017, there were 131,903,568 Touchcorp Shares on issue.

4.9

Financial information

(a) Basis of preparation

The following section contains certain historical financial information of Touchcorp. Touchcorp's historical financial information includes:

- The historical consolidated statements of comprehensive income for Touchcorp for the years ended 31 December 2014, 31 December 2015 and 31 December 2016;
- The historical consolidated statements of financial position for Touchcorp as at 31 December 2014, 31 December 2015 and 31 December 2016; and
- The historical consolidated statements of cash flows for Touchcorp for the years ended 31 December 2014, 31 December 2015 and 31 December 2016

(together, the "Touchcorp Historical Financial Information").

The directors of Touchcorp are responsible for the preparation of the Touchcorp Historical Financial Information. The Touchcorp Historical Financial Information included in this Scheme Booklet is intended to provide Touchcorp Shareholders with information to assist them in understanding the historical financial performance, cash flows and financial position of Touchcorp.

The Touchcorp Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS issued by the Australian Accounting Standards Board, which is consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Touchcorp Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation, disclosures, statements and comparative information required by AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Touchcorp Historical Financial Information has been derived from the general purpose financial statements of Touchcorp for the years ended 31 December 2014, 31 December 2015 and 31 December 2016. The general purpose financial statements of Touchcorp for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 were audited by Ernst & Young in accordance with Australian Auditing Standards, and on which unqualified audit opinions were issued on these financial statements.

All amounts disclosed in the Touchcorp Historical Financial Information are presented in Australian dollars.

General purpose financial statements for Touchcorp for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 are available free of charge on www.touchcorp.com.

(b) Historical consolidated statements of comprehensive income

Below is Touchcorp's historical consolidated statements of comprehensive income for Touchcorp for the years ended 31 December 2014, 31 December 2015 and 31 December 2016.

	Dec-14	Dec-15	Dec-16
Rendering of Services	24,770,074	42,296,734	36,817,162
Revenue	24,770,074	42,296,734	36,817,162
Cost of sales	(5,478,120)	(6,993,220)	(10,816,220)
Gross profit	19,291,954	35,303,514	26,000,942
Other income	104,943	47,250	399,030
Government grants	1,589,740	111,776	62,615
Total other income	1,694,683	159,026	461,645
Employee benefits expense	(6,142,946)	(6,019,471)	(8,501,594)
Contractor expenses	(657,825)	(559,624)	(721,068)
Advertising expenses	(498,125)	(820,679)	(519,102)
Customer development expenses	(1,410,321)	(5,646,000)	(5,646,000)
Capital raising expenses	–	(3,569,033)	–
Travel & accommodation expenses	(980,359)	(942,190)	(742,242)
General & administrative expenses	(3,800,791)	(4,521,061)	(5,764,540)
Doubtful debts expense	(44,120)	(45,986)	(52,222)
Depreciation & amortisation expense	(818,240)	(1,216,937)	(3,851,833)
Operating profit	6,633,910	12,121,559	663,986
Interest expense	(321)	(4,240)	–
Interest revenue	67,367	161,726	146,233
Share of gain (loss) from an associate	–	(3,772,167)	14,261,392
Profit before tax	6,700,956	8,506,878	15,071,611
Income tax (expense) benefit	6,842,006	880,583	(3,499,228)
Profit after tax	13,542,962	9,387,461	11,572,383
Other comprehensive income	–	–	–
Total comprehensive income	13,542,962	9,387,461	11,572,383

4. Information about Touchcorp (continued)

(c) Historical consolidated statements of financial position

Below is a summary of the historical consolidated statements of financial position for Touchcorp as at 31 December 2014, 31 December 2015 and 31 December 2016.

	Dec-14	Dec-15	Dec-16
Cash and cash equivalents	2,653,602	9,496,095	27,745,731
Trade receivables	9,687,958	13,095,586	11,867,144
Other current assets	5,854,326	9,571,750	9,474,375
Total current assets	18,195,886	32,163,431	49,087,250
Deferred tax assets	6,842,006	7,722,589	4,223,361
Property, plant and equipment	1,667,267	2,099,552	2,893,953
Intangible assets	5,024,622	10,796,103	16,134,503
Investment in an associate	–	6,227,833	20,489,222
Financial assets	–	–	5,000,000
Prepayments	–	–	1,625,000
Total non-current assets	13,533,895	26,846,077	50,366,039
TOTAL ASSETS	31,729,781	59,009,508	99,453,289
Trade and other payables	(17,269,635)	(13,778,905)	(16,080,844)
Employee provisions	(792,491)	(1,141,287)	(1,147,654)
Total current liabilities	(18,062,126)	(14,920,192)	(17,228,498)
Long service leave provision	(119,084)	(70,307)	(96,224)
Total non-current liabilities	(119,084)	(70,307)	(96,224)
TOTAL LIABILITIES	(18,181,210)	(14,990,499)	(17,324,722)
NET ASSETS	13,548,571	44,019,009	82,128,567
Issued capital	37,212,869	58,491,021	83,439,656
Accumulated losses	(23,935,574)	(14,548,113)	(2,975,730)
Reserves	271,276	76,101	1,664,641
TOTAL EQUITY	13,548,571	44,019,009	82,128,567

(d) Historical consolidated statements of cash flows

Below is the historical consolidated statements of cash flows for the years ended 31 December 2014, 31 December 2015 and 31 December 2016.

	Dec-14	Dec-15	Dec-16
Receipts from customers (inclusive of GST)	240,201,610	283,527,764	268,799,578
Payments to employees	(5,197,975)	(6,189,906)	(6,484,993)
Payments to suppliers (inclusive of GST)	(231,799,597)	(280,702,707)	(259,129,183)
Net cash flows from / (used in) operating activities	3,204,038	(3,364,849)	3,185,402
Interest received	67,367	161,726	146,233
Payments for recognised intangibles	(4,849,142)	(6,030,479)	(7,942,839)
Purchase of plant and equipment	(1,267,618)	(1,390,224)	(2,041,795)
Net cash flows used in investing activities	(6,049,393)	(7,258,977)	(9,838,401)
Proceeds from issue of shares	–	22,413,800	25,600,000
Payments for issue of shares	–	(2,378,448)	(734,740)
Proceeds from exercise of options	–	1,000,000	37,375
Capital raising expenses	–	(3,569,033)	–
Net cash flows from financing activities	–	17,466,319	24,902,635
Net increase in cash and cash equivalents	(2,845,355)	6,842,493	18,249,636
Cash and cash equivalents at beginning of the year	5,498,957	2,653,602	9,496,095
Cash and cash equivalents at end of the year	2,653,602	9,496,095	27,745,731

4. Information about Touchcorp (continued)

4.10

Material changes in Touchcorp's financial position

To the knowledge of Touchcorp's Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of Touchcorp has not materially changed since 31 December 2016.

4.11

Recent share price history

The latest recorded price of Touchcorp Shares on ASX before the Merger Announcement was \$1.05.

The current price of Touchcorp Shares on ASX can be obtained from the ASX website (www.asx.com.au) or www.touchcorp.com.

4.12

Publicly available information

As an ASX listed company and a "disclosing entity" for the purposes of section 111AC(1) of the Corporations Act, Touchcorp is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Touchcorp's most recent announcements are available from its website www.touchcorp.com. Further announcements concerning Touchcorp will continue to be made available on this website after the date of this Scheme Booklet.

ASX maintains files containing publicly available information about entities listed on their exchange. Touchcorp's files are available for inspection at ASX during normal business hours and are available on the ASX website (www.asx.com.au).

Additionally copies of documents lodged with ASIC in relation to Touchcorp may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Touchcorp Scheme Meeting during normal business hours at the registered office of Touchcorp:

- Touchcorp's Bye-laws;
- Touchcorp's annual report for the financial year ended 31 December 2016;
- Touchcorp's public announcements; and
- Touchcorp's interim report for the period ended 30 June 2016.

The annual and interim reports and public announcements are also available at www.touchcorp.com.

**Information
on Afterpay**



5. Information about Afterpay

5.1

Background and history

Afterpay is an Australian incorporated company. The Afterpay Group operates a technology driven payments business which commenced activities in the first half of calendar 2015.

Afterpay listed on the ASX in May 2016, and trades under the ASX code AFY.

5.2

Overview of operations

Afterpay focusses on applying its technology to provide a retail centric, omni channel retail service that facilitates commerce between retail merchants and their end-customers.

Afterpay delivers this by providing a platform that allows retail merchants to offer their end-customers the ability to buy products on a “buy now, receive now, pay later” basis without the end-customer having 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 if instalment payments are made on time; or
- Provide extensive personal information that could cause delay or failure to complete a purchase.

For online transactions, Afterpay is typically positioned on the merchant’s product page and offers a fast and frictionless process resulting in reduced abandoned online “shopping carts”. For in-store transactions, Afterpay offers an easily generated mobile phone barcode for use at the merchant’s Point of Sale terminal.

Instalment payment terms are presented to end customers for a maximum of 56 days. The purchase value is recouped by Afterpay from the end-customer usually in four equal, fortnightly instalments.

Retail merchants benefit from providing the Afterpay service to their end-customers because:

- End-customers are more inclined to make a purchase and/or increase the value of their purchase because of the affordability and flexibility attributes of the Afterpay service; and
- Afterpay pays the retail merchant upfront and assumes all end-customer payment collection responsibilities.

The Afterpay payment option can be integrated into a retail merchant’s existing e-commerce infrastructure and sits alongside traditional end customer payment options.

5.3

The Afterpay System

Afterpay’s technology platform (the Afterpay System) comprises two key components:

- The Transaction Integrity Engine
- The Afterpay Operating Platform

At the core of the Afterpay System is its Transaction Integrity Engine, which conducts end customer fraud and repayment capability assessments in real-time, allowing Afterpay to make real-time, automated decisions as to whether or not to provide instalment payment terms to any potential end customer. The Transaction Integrity Engine is activated every time an end-customer selects Afterpay as the payment method for a purchase from a retail merchant.

Selecting Afterpay as the payment method does not automatically guarantee that the transaction will be approved. By integrating Afterpay into the merchant’s website, the approval request is automatically passed online to the Transaction Integrity Engine for real time assessment and processing. The system uses a range of attributes relating to the particular transaction, the end-customer and his or her payment history and current amounts outstanding, the merchant, and other factors that can be garnered directly from the particular transaction and payment request. The relevance and weighting given to the different factors is constantly being updated based on accumulated transaction data across the Afterpay platform, and this proprietary database of inputs is a key element of the value of the Afterpay System. The analysis is performed automatically and in real time by the system, and does not involve any external checking of credit reporting agencies.

Undertaking this assessment based only on the factors available to the system in real time and with limited inputs does involve some degree of risk of fraud or non-payment by the end-customer. Afterpay has designed the system with the intention that these risks will diminish over time as the Transaction Integrity Engine and the rules it applies become more effective at minimising these risks. However, the risk of both fraud and non-payment cannot be entirely eliminated if transactions are to be undertaken in a commercial volume, and there will always be a component of bad debt expenses applicable to Afterpay’s results. These kinds of transaction losses should be seen as a normal cost of doing business for Afterpay.

Afterpay has also developed an end-to-end, largely automated, operating platform (the Afterpay Operating Platform) that allows retail merchants to integrate, manage and monitor the way Afterpay is performing on their web sites and for end customers to monitor and manage their Afterpay transactions and accounts.

Afterpay's technology was built and continues to be developed by Touchcorp under the SDLA. Touchcorp has extensive experience in Australian and international markets in relation to providing payments related services to large consumer facing organisations.

Afterpay also outsources the processing of all Afterpay transactions to Touchcorp on its behalf in return for an ongoing transaction fee, which is set on a 'favoured nation' pricing basis relative to Touchcorp's other customers.

5.4

Business model

Afterpay receives its revenue primarily from transaction fees paid by its retail merchant clients (Merchant Fees) in relation to underlying Afterpay sales on their web sites.

Merchant Fees are generated on each discrete, approved order placed by the end customer through the Afterpay system. Merchant Fees are predominantly based on a percentage of the end customer order value plus a fixed per transaction fee. Merchant Fees represented approximately 83% of Afterpay's revenues for the six month period ending 31 December 2016, with the remainder principally represented by late fees charged to end-customers who do not make their agreed instalment payments on time.

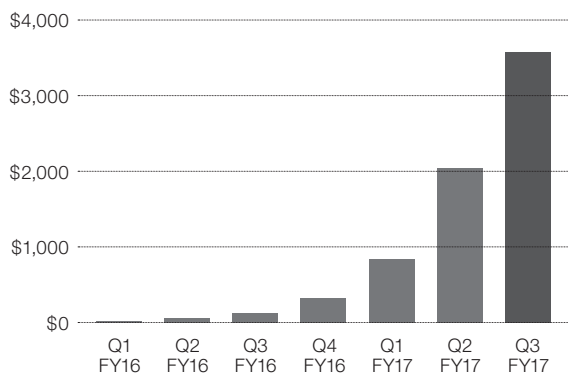
Increasing Merchant Fees are a function of the number of Afterpay retail merchant clients that provide the Afterpay service to their end customers as well as the proportion of end customers associated with each retail merchant client that choose to use Afterpay as a method of online payment. Seasonality 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 end customer. Afterpay aims to fully recoup the value of any discrete transaction within a maximum of 56 days.

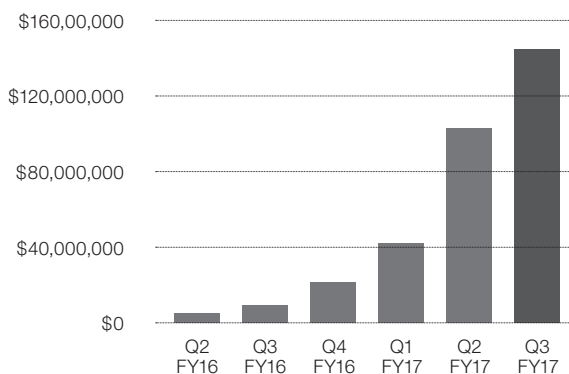
Afterpay's business model aims to recycle capital efficiently and to drive higher potential transaction volumes. The average duration to recoup end customer payments during the 6 month period ended 31 December 2016 was less than 30 days. Past performance, however, is not necessarily an indicator of future performance.

5. Information about Afterpay (continued)

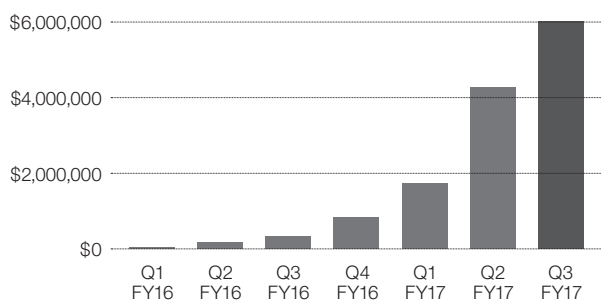
Integrated retail merchants



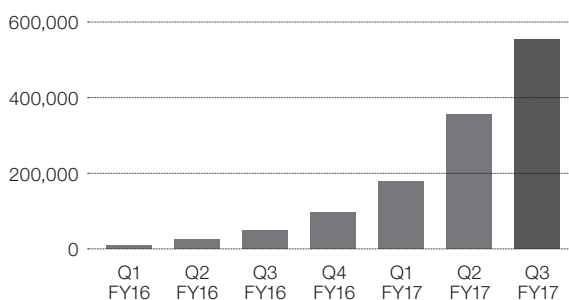
Underlying quarterly merchant sales



Afterpay quarterly merchant fees



Unique Afterpay end-customers



5.5

Growth in merchant numbers and transactions

Afterpay has been growing strongly since it commenced offering its services to Australian based online retail merchants in the first half of calendar 2015.

Significant retail merchant and other customers include Myer, Telstra, Country Road, Officeworks, Optus, Kookai, Rebel, Athletes Foot, Mimco, Adore Beauty, Ezibuy, BCF Australian, Best & Less and Toys R Us.

As at 13 April 2017, Afterpay had over 3,700 live retail merchants, and over 575,000 unique registered end-customers.

Total underlying retail merchant sales through the Afterpay platform since inception is now more than \$325 million, including \$144.9 million achieved in Q3 FY2017.

5.6

Funding the business

Afterpay's business of funding purchases by end customers requires funding capital which can be paid to retail merchant clients in advance of collection of the purchase price instalments from those end customers. Afterpay initially relied on equity capital to provide this funding, raising \$25 million in its initial public offering in May 2016 and a further approximately \$36 million in a placement of new shares in October 2016 (in each case before costs of the offer).

In November 2016, Afterpay announced its partnership with NAB under the NAB Facility to fund a secured receivables funding facility, with NAB initially committing \$20m to the facility. The funding facility commenced operation in December 2016 and provides Afterpay with a structurally efficient and low transaction cost model to support Afterpay's strong growth profile. Afterpay recently announced that NAB has approved an additional \$20m increase to the funding facility. This is in line with Afterpay's strategy to progressively

increase the size of the funding facility as the business grows. The NAB Facility is capable of significant expansion beyond this point based on the strong equity position Afterpay has already established.

5.7

Regulatory environment

Afterpay's business is not currently subject to legal requirements to have an Australian Credit Licence ("ACL") or an Australian Financial Services Licence. This is, in part, due to the nature of the current Afterpay product, which does not involve charging interest or credit fees to end customers. Afterpay is, however, subject to other legal and industry compliance requirements including privacy laws, data protection laws and contractual conditions.

Afterpay obtained an ACL in August 2016, however there is no current intention to offer a different or licenced product in the near term.

5.8

Afterpay's intellectual property

Afterpay's core intellectual property asset is the Afterpay System (see above) and the accumulating transaction data, rules and end customer insights generated from end customers using the Afterpay System.

Under the SDLA with Touchcorp, all intellectual property in the Afterpay System which was created or brought into existence by Touchcorp and its contractors in connection with the SDLA vested in Afterpay with payment of the Development Fee. In addition, Afterpay holds a perpetual, royalty-free licence to reproduce and modify Touchcorp's intellectual property rights that are embedded in the Afterpay System for the purpose of operating the Afterpay System.

Afterpay's intellectual property is protected under Australian laws relating to copyright, trademarks, and contractual confidentiality obligations. As at the date of the Scheme Booklet, Afterpay does not hold any patents in relation to these rights, however, Afterpay has applied for a patent on its in-store instalment payment system and a patent is pending on this system.

Afterpay also holds a registered domain name and registered trademarks which are used for its business in Australia, and certain trademarks in other countries. However, expansion into certain new markets outside Australia may risk conflict with registered trademarks of another unrelated company with a similar name, and in that case Afterpay may have to consider rebranding its offering in those new markets.

5.9

Directors and senior management

The current directors of Afterpay are:

ANTHONY EISEN,
EXECUTIVE CHAIRMAN

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.

NICHOLAS MOLNAR,
MANAGING DIRECTOR

Nicholas has extensive experience in online retail, having 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.

DAVID HANCOCK,
NON-EXECUTIVE DIRECTOR

David was appointed an independent non-executive director in March 2016. David has over 25 years of broad experience in financial services. This experience includes being Executive General Manager at the Commonwealth Bank of Australia, with a variety of roles including capital markets, fixed income and equities. Prior to that he served in senior investment banking roles at JPMorgan where he was a Managing Director with responsibilities in New Zealand, Australia and Asia across various operations in Debt and Equity Markets. He has served on a number of boards and is currently a director and advisor to Tower Insurance Limited and a board member of the Insurance Council of New Zealand.

5. Information about Afterpay (continued)

CLIFFORD ROSENBERG, NON-EXECUTIVE DIRECTOR

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 has been a senior executive at LinkedIn for six and half years and currently serves 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 and Pureprofile Ltd.

The current senior managers of Afterpay are:

- Matthew Walton, Chief Financial Officer
- Barry Odes, Chief Operating Officer
- Sophie Karzis, Company Secretary

If the Merger does not proceed, the current senior management of Afterpay will remain. If the Touchcorp Scheme and Afterpay Scheme are approved, the intentions of Afterpay Touch Group in relation to employees generally is set out in section 6.8.

5.10

Afterpay Shares

As at 31 December 2016 there were 180,337,038 Afterpay Shares on issue. In addition there are a total of 16,065,000 options with varying terms and 155,000 performance rights. The fully diluted number of Afterpay shares on issue including the options and performance rights is 196,557,038.

5.11

Financial information

(a) Basis of preparation

The following section contains certain historical financial information of Afterpay. Afterpay's historical financial information includes:

- The summary historical consolidated income statements for Afterpay for the six months ended 31 December 2015 and 31 December 2016, for the year ended 30 June 2016 and for the 12 months ended 31 December 2016;
- The historical consolidated statements of financial position for Afterpay as at 30 June 2016 and 31 December 2016; and
- The historical statements of cash flows for the year ended 30 June 2016 and the six months ended 31 December 2016.

(together, the **Afterpay Historical Financial Information**)

Afterpay has a 30 June financial year end. Afterpay's historical consolidated income statement for the 12 months ended 31 December 2016 is presented for the purposes of preparing the Afterpay Touch Group Pro Forma Consolidated Income Statement and has been derived by adding Afterpay's historical consolidated income statement for the six months ended 31 December 2016 to Afterpay's historical consolidated income statement for the year ended 30 June 2016 and subtracting Afterpay's historical consolidated income statement for the six months ended 31 December 2015.

The directors of Afterpay are responsible for the preparation of the Afterpay Historical Financial Information. The Afterpay Historical Financial Information included in this Scheme Booklet is intended to provide shareholders with information to assist them in understanding the historical financial performance, cash flows and financial position of Afterpay.

The Afterpay Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board, which is consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Afterpay Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation, disclosures, statements and comparative information required by AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Afterpay Historical Financial Information has been derived from the general purpose financial statements of Afterpay for the year ended 30 June 2016 and from the interim consolidated financial statements for the six months ended 31 December 2016. The general purpose financial statements of Afterpay for the year ended 30 June 2016 were audited by Ernst & Young in accordance with Australian Auditing Standards, and on which an unqualified audit opinion was issued. The interim consolidated financial statements of Afterpay for the six months ended 31 December 2015 and 2016 was reviewed by Ernst & Young and an unqualified limited assurance conclusion was issued.

General purpose financial statements for Afterpay for the financial year ended 30 June 2016 and interim financial statements for the six months ended 31 December 2015 and 2016 are available on www.afterpay.com.au.

(b) Historical consolidated income statements of Afterpay

Below is a summary of Afterpay's historical consolidated statements income statements for the six months ended 31 December 2015 and 31 December 2016, and for the year ended 30 June 2016 and 12 months ended 31 December 2016.

	6 months ended 31-Dec-15	6 months ended 31-Dec-16	Year ended 30-Jun-16	12 months ended 31-Dec-16 (note 1)
Revenue	220,261	6,011,227	1,383,241	7,174,207
Cost of sales	(30,459)	(1,178,732)	(258,389)	(1,406,662)
Gross profit	189,802	4,832,496	1,124,852	5,767,545
Other income	46,281	1,197,662	289,422	1,440,803
Employee benefits expense	(231,941)	(1,888,055)	(1,228,647)	(2,884,761)
Bad and doubtful debts expense	(189,565)	(1,904,634)	(567,481)	(2,282,550)
Other operating expenses	(261,866)	(2,920,376)	(1,305,871)	(3,964,381)
Interest	57,387	180,244	168,751	291,608
Depreciation and amortisation	(867,510)	(1,364,483)	(2,171,143)	(2,668,116)
Loss before tax	(1,257,412)	(1,867,146)	(3,690,117)	(4,299,852)
Income tax benefit	–	477,799	137,789	615,588
Net loss after tax	(1,257,412)	(1,389,347)	(3,552,328)	(3,684,264)

Note:

1. Afterpay has a 30 June financial year end. Afterpay's historical consolidated income statement for the 12 months ended 31 December 2016 is presented for the purposes of preparing the Afterpay Touch Group Pro Forma Consolidated Income Statement and has been derived by adding Afterpay's historical consolidated income statement for the six months ended 31 December 2016 to Afterpay's historical consolidated income statement for the year ended 30 June 2016 and subtracting Afterpay's historical consolidated income statement for the six months ended 31 December 2015.

5. Information about Afterpay (continued)

(c) Historical consolidated statements of financial position of Afterpay

Below is a summary of Afterpay's consolidated statement of financial position as at 30 June 2016 and 31 December 2016.

	As at 30-Jun-16	As at 31-Dec-16
Cash and cash equivalents	19,723,472	27,740,034
Trade receivables	7,229,936	38,798,289
Other current assets	567,861	5,768,250
Total current assets	27,521,269	72,306,573
Deferred tax assets	609,400	1,555,695
Property, plant and equipment	28,193	71,360
Intangible assets	10,833,333	10,936,820
Total non-current assets	11,470,926	12,563,875
TOTAL ASSETS	38,992,195	84,870,448
Trade and other payables	(870,986)	(4,545,446)
Employee provisions	(57,427)	(115,317)
Interest bearing borrowings	–	(8,094,560)
Total current liabilities	(928,413)	(12,755,322)
Long service leave provision	(2,945)	(10,945)
Total non-current liabilities	(2,945)	(10,945)
TOTAL LIABILITIES	(931,358)	(12,766,267)
NET ASSETS	38,060,837	72,104,181
Issued capital	41,506,567	76,513,415
Accumulated losses	(3,599,168)	(4,988,515)
Reserves	153,438	579,281
TOTAL EQUITY	38,060,837	72,104,181

(d) Historical consolidated statements of cash flow of Afterpay

Below is a summary of Afterpay's consolidated statement of cash flows for the year ended 30 June 2016 and for the six months ended 31 December 2016.

	Year ended Jun-16	6 months ended Dec-16
Receipts from customers (inclusive of GST)	27,327,113	102,161,922
Payments to employees	(1,214,529)	(1,541,511)
Payments to merchants and suppliers (inclusive of GST)	(34,420,348)	(131,973,208)
Net cash flows used in operating activities	(8,307,764)	(31,352,797)
Interest received	74,966	303,509
Purchase of intangibles	(3,000,000)	(161,000)
Purchase of plant and equipment	(32,669)	(51,838)
Increase in other financial asset	–	(3,254,221)
Net cash flows used in investing activities	(2,957,703)	(3,163,550)
Advance from/(repayment to) directors	(49,800)	–
Interest-bearing liabilities	–	8,094,500
Proceeds from issue of shares	33,000,000	36,000,000
Capital raising expenses	(1,965,046)	(1,561,651)
Net cash flows from financing activities	30,985,154	42,532,909
Net increase in cash and cash equivalents	19,719,687	8,016,562
Cash and cash equivalents at beginning of the period/year	3,785	19,723,472
Cash and cash equivalents at end of the period/year	19,723,472	27,740,034

5. Information about Afterpay (continued)

5.12

Material changes in Afterpay's financial position

To the knowledge of Afterpay's Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of Afterpay has not materially changed since 31 December 2016.

5.13

Recent share price history

The latest recorded price of Afterpay Shares on ASX before the initial public announcement of the proposed Merger on 23 February 2017 was \$2.46. The latest recorded closing price of Afterpay Shares on ASX before the announcement of the execution of the Merger Implementation Agreement on 30 March 2017 was \$2.19. The current price of Afterpay Shares on ASX can be obtained from the ASX website (www.asx.com.au) or www.afterpay.com.au.

5.14

Publicly available information

As an ASX listed company and a "disclosing entity" for the purposes of section 111AC(1) of the Corporations Act Afterpay is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Afterpay's most recent announcements are available from its website www.afterpay.com.au. Further announcements concerning Afterpay will continue to be made available on this website after the date of this Scheme Booklet.

ASX maintains files containing publicly available information about entities listed on their exchange. Afterpay's files are available for inspection at ASX during normal business hours and are available on the ASX website (www.asx.com.au).

Additionally copies of documents lodged with ASIC in relation to Afterpay may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of Afterpay:

- constitution of Afterpay
- Afterpay's annual report for the financial year ended 30 June 2016; and
- Afterpay's public announcements.

The annual and interim reports and public announcements are also available at www.afterpay.com.au.

**Information
on Afterpay Touch Group**



6. Information on Afterpay Touch Group

The information in this section of the Scheme Booklet has been prepared by Afterpay Touch Group. The information concerning Afterpay Touch Group and the intentions, views and opinions contained in this section are the responsibility of Afterpay Touch Group. To the maximum extent permitted by law, Touchcorp, Afterpay and their directors and officers do not assume any responsibility for the accuracy or completeness of this information except to the extent that Afterpay or Touchcorp has provided Afterpay Touch Group with information for the purpose of Afterpay Touch Group preparing information on the Merged Group following implementation of the Merger.

6.1

Overview of Afterpay Touch Group

The Merger will bring together the businesses of Afterpay and Touchcorp under the ownership of the Afterpay Touch Group.

Afterpay focusses on applying its technology to provide a customer and retail centric, omni channel retail service that facilitates commerce between retail merchants and their end-customers.

Afterpay delivers this by providing a platform that allows retail merchants to offer their end-customers the ability to buy products on a “buy now, receive now, pay later” basis without the end-customer having 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; or
- Provide extensive personal information that would likely cause delay or failure to complete a purchase.

Afterpay as a stand-alone, end-customer focused, entity has enjoyed strong growth since the company’s commercialisation in 2015 through the initial focus on Millennials as a target market and is now successfully expanding into broader and more traditional retail market segments.

The Touchcorp business has been operating for more than 10 years. Touchcorp has designed, built, owns and operates a proprietary software platform that is called the Touch System Platform. This Platform enables consumers to quickly and simply purchase products both in-store and directly via secure self-service methods and across mobile device applications, web sites, interactive voice recognition (“IVR”) systems and a variety of other methods.

The Touch System Platform is designed to minimise friction for merchant retailers and enhance the shopping experience for consumers. This allows merchant retailers to operate, and consumers to purchase goods and services without unnecessary processes

while having confidence that transaction services are consistently operational – with 100% uptime capability.

The Touch System Platform provides customers with competitive performance and cost advantages with sophisticated strategic and tactical fraud management capability. The Touch System Platform provides merchant retailers with the capacity to maximise transaction acceptance while minimising the cost of fraud to those merchant retailers. In some cases Touchcorp accepts fraud risk for merchant retailers.

The Afterpay Touch Group will build on this foundation of being heavily customer centric through the expansion of its established retail technology.

A flat and agile management structure and equity ownership model will be a feature of the Afterpay Touch Group. This will ensure a streamlined decision making platform that facilitates speed to market and positions Afterpay Touch Group as an employer of choice for the best talent.

6.2

Strategic priorities

The strategic priorities for the Afterpay Touch Group include:

- Accelerate the growth of the Afterpay business** in Afterpay Touch Group while maintaining the positive net transaction margin performance illustrated to date. Additional technology development resources will be dedicated towards the Afterpay product and market development activities to more rapidly capture the expansion opportunities that have become apparent since inception. A number of medium term business priorities have been established, namely:
 - Grow Afterpay’s in-store presence and capability to promote omni-channel opportunities to Afterpay’s online merchant base. The market opportunity in Australia alone is very large, with the size of the physical retail market still significantly larger (approximately \$304.9 billion) than the online retail market (\$21.7 billion). The inter-connectedness of online and physical retail is becoming increasingly apparent, however, as consumer buying habits evolve and demand for omni-channel shopping applications becomes more mainstream. A key aspect of Afterpay Touch Group’s strategy is to progressively develop the in-store Afterpay product to promote retail innovation opportunities and add value to Afterpay’s retail merchant clients and their customers.
 - Further penetrate new retail applications or verticals for the Afterpay product. To date, Afterpay has concentrated on physical product markets such as fashion, homewares, lifestyle

and electronics. Afterpay Touch Group sees significant opportunity and product alignment in developing an Afterpay presence in various e-Services markets. E-Services is a broad and very large market segment in Australia alone and covers multiple sub-verticals such as travel, health, education, ticketing, etc. Afterpay has already started making in-roads towards developing the Afterpay product for various e-services markets and this will continue to be a focus area for the merged group.

- International expansion is now a clear opportunity for the Afterpay product. This stems from the applicability of Afterpay's product to other retail markets and the ability to develop its transaction integrity capabilities in new geographies. A number of Afterpay's existing merchant clients maintain an international footprint and this provides logical direction as it relates to international expansion. A market expansion strategy into New Zealand has been underway for some time and Afterpay is actively exploring strategic partnership opportunities in other markets.
 - With over 575,000 unique Afterpay customers already established in Australia, and continuing to grow at a rapid rate, the power of this network is significant from multiple perspectives. Afterpay's ability to serve its retail merchants from a both a transaction and information perspective remains a key priority. Afterpay has already demonstrated its ability to add material incremental sales and value to retailers and a number of strategies are in place to evolve and enhance the services Afterpay provides to its affiliated merchants. Additionally, a number of strategies have been developed to further engage and provide benefits to Afterpay's customer base and the Merged Group will focus on innovative, technology driven applications to deliver further benefits.
- (b) **Enhance the Touchcorp business recurring revenue streams in Afterpay Touch Group that are complementary to the Afterpay business** and from a financial perspective, provide an adequate return on investment. Focusing on areas of alignment with Afterpay is important because it will allow Afterpay Touch Group management to more effectively leverage the combined skills and productivity of the merged entity. Touchcorp's presence in some markets and customer relationships will advantage the Afterpay product as it further penetrates new verticals and geographies. Likewise, Afterpay's sales force, product packaging and go to market activities are expected to increase revenue opportunities over time for key Touchcorp products. Touchcorp's

key products and opportunities for complementary product development are illustrated below:

- **Mobility** – Touchcorp has developed a core product capability in relation to processing pre-paid mobile phone top-up transactions. In addition to transaction processing aspects, Touchcorp provides a revenue assurance service that reduces the exposure for the mobile phone operator from fraud and other related non-payment risks. Touchcorp has maintained a long-standing relationship with Optus to provide these services and this has been a growth area in recent years. Mobility client relationships are common to both Afterpay and Touchcorp and transaction integrity capabilities and disciplines are also complementary. Promoting Touchcorp's mobility services, separately or in combination with Afterpay products and services, will be a core focus of the Merged Group.
 - **Health** – Touchcorp has developed a strong technical capability in the Australian health sector. Touchcorp's health platform provides a number of transaction related services to banking groups and other participants in the health sector, including NAB, Commonwealth Bank of Australia and Suncorp. Touchcorp's platform provides services such as Medicare Easyclaim and Private Health Insurance claiming. Touchcorp's activities and relationships in the health sector are a source of opportunity and growth for the merged group. Additionally, they are complementary and applicable to introducing the Afterpay product to selected health care market segments. Afterpay has independently identified certain health care market segments as being attractive markets and this will be a focus for the Merged Group.
 - **E-Services** – Touchcorp enables electronic products to be offered and sold at the point-of-sale via retailers' existing Point of Sale (POS) and associated devices. Touchcorp's e-services activity supports approximately 7,500 merchants in Australia, including 7-Eleven and an additional 6,500 merchants in Europe including Valora. Touchcorp's history in developing technical POS integrations and presence in the physical retail space is complementary to Afterpay's omni-channel focus. Additionally, Touchcorp's international customer relationships, infrastructure and transaction experience is valuable from an Afterpay international expansion perspective.
- (c) **Streamline and enhance transaction integrity and data capabilities of Afterpay Touch Group.** Both the Touchcorp business and Afterpay business maintain a core focus on developing transaction

6. Information on Afterpay Touch Group (continued)

integrity and data capabilities to underpin various aspects of its businesses. From Afterpay's perspective, real-time fraud identification and repayment capability assessment is a key element of its value proposition to merchants. Touchcorp's mobility business likewise relies on an ability to identify and reject fraudulent transactions, also in real-time. Transaction integrity and data analytics is also relevant to many facets of both Afterpay's and Touchcorp's businesses and is the key ingredient to direct innovation and additional customer centric services in the future. In addition to having access to a broader and international data set, the merged entity has the opportunity to streamline and coordinate its transaction integrity and data related activities to increase the productivity of its resources, develop its intellectual property base and enhance future related business opportunities.

- (d) **The Merged 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 and will not devote resources to new activities that would not further those objectives. Activities that may not be a focus for the Merged Group going forward may include developing software and technology for third parties for a one-off development fee, developing software and technology for third parties where the IP is transferred to such third parties, and technology business incubation activities which do not relate to current core activities and revenue streams and where Afterpay Touch Group may not maintain a significant equity interest.
- (e) **Improve margins in both Afterpay and Touchcorp businesses** by utilising combined scale benefits to reduce variable input costs and other product delivery costs. The prospective Afterpay Touch Group management team has already identified several areas where efficiencies can be garnered for the benefit of the combined group. In addition to scale benefits, a vertically integrated structure and approach will improve how resources are utilised and directed towards the most profitable areas.
- (f) **Reduce merged entity overheads.** Removing duplicated activities in the Afterpay and Touchcorp businesses will be an immediate focus. Additionally, a vertically integrated structure and approach will reduce the support activities and expenditure required to operate the combined business.

Immediate strategic goals

- (a) Continue to profitably scale the Afterpay business. Grow sales while maintaining positive net transaction margins achieved to date.

- (b) Focus on growing and enhancing the margins on Afterpay and Touchcorp business recurring revenue streams by utilising combined scale benefits to reduce variable input costs and other product delivery costs.
- (c) Optimise allocation of technology development resources and reduce combined entity overhead costs to achieve positive net operating cash flows (on a run-rate basis) post-merger. A key financial goal of the merger is to enhance the profitability of the Afterpay and Touchcorp businesses while maintaining a rapid growth profile.
- From an Afterpay product perspective, this means rapidly growing underlying sales at positive transaction margins without significantly adding to fixed overheads.
 - From a Touchcorp perspective, this means generating positive net operating cash flows from recurring revenue streams after the full allocation of overhead costs to those activities.
- (d) Insulating existing Afterpay capital, and complementing that capital by scaling the receivables debt facility already in place with National Australia Bank, to ensure scope for rapid future growth is maintained.
- (e) Utilise existing Touchcorp capital to facilitate restructuring activities and support future group investment.

6.3

Rationale for Merger

Afterpay has grown rapidly since its commercialisation in 2015 and Initial Public Offering in May 2016. The opportunity to further significantly expand the Afterpay business is now clearly apparent and Afterpay has considerably developed its internal capabilities over this period to embrace this opportunity.

Having now achieved an initial leading presence in its field in the Australian market, the Board of Afterpay has concentrated on how best to position Afterpay Touch Group for the future and how best to maximise the opportunities that exist in Australia and international markets.

Afterpay has enjoyed a strong relationship with Touchcorp since inception. Afterpay commissioned Touchcorp to develop its technology and to process Afterpay's transactions on its behalf. This relationship has served both entities well, with significant shareholder value having been created as a result. The current scale of Afterpay and the future opportunities to develop the business means that it is now considered more effective, however, for Afterpay to directly manage all aspects of its business in a vertically integrated structure, including future technology development activities and engaging directly with third parties as it relates to the delivery of its product.

Afterpay has sound contractual rights with Touchcorp as it relates to non-competition, the ownership of the Afterpay System and Afterpay transaction data, as well as perpetual licenses to utilise and access all relevant aspects of Touchcorp technology that interact with the Afterpay System. Further details of the SDLA are included in Section 9.2.1 of Afterpay's Replacement Prospectus dated 14 April 2016.

Afterpay and Touchcorp have enjoyed a mutually beneficial relationship since 2015. If the merger does not proceed, this relationship will continue to be governed under the SDLA as outlined in Afterpay's Replacement Prospectus dated 14 April 2016. However, if the Merger does not proceed, Afterpay management would not have an ability to directly add value across all aspects of its business. While Afterpay is today conducting a number of technology led initiatives outside of the Touchcorp relationship, direct access to the technology and technology development activities within a vertically integrated structure will unlock combined entity synergies that the Afterpay Board believes will ultimately be of greater benefit to Touchcorp Shareholders, namely:

- Provide Touchcorp Shareholders (other than Ineligible Foreign Shareholders) with an increased exposure to the rapidly growing Afterpay business
- Allow the leadership team of Touchcorp to be enhanced with key Afterpay executives and for the combined management team to direct all aspects of the Afterpay Touch Group businesses;
- Provide additional scope for accelerating the growth profile of Afterpay through new verticals and geographies, leveraging off the core technology and team that currently exists
- Benefit from incorporating profitable Touchcorp recurring revenue streams in relevant industry verticals and geographic markets and add to the future growth of those businesses because they are synergistic to Afterpay's existing activities
- Enhance the intellectual property profile and transaction integrity capability of the combined group through access to a broader data set and a streamlined approach to data analytics; and
- Generate synergies through combined platform benefits, operational cost savings and a singular strategic focus

The expanded skill set and resources of Afterpay Touch Group compared to the stand alone position of Afterpay or Touchcorp will result in a more resilient entity that is better positioned to withstand competitive forces going forward.

The creation of Afterpay Touch Group is, from both a structural and a branding perspective, a reflection of the natural alignment and collaborative approach of the two foundation entities.

6.4

Directors and senior management of Afterpay Touch Group following the Merger

The following persons are directors of Afterpay Touch Group as at the date of this Scheme Booklet:

- David Hancock, Non-Executive Director
- Clifford Rosenberg, Non-Executive Director
- Elana Rubin, Non-Executive Director

The directors of Afterpay Touch Group following the Merger will be:

- Anthony Eisen, Executive Chairman;
- Nicholas Molnar, Managing Director;
- Michael Jefferies, Non-Executive Director;
- David Hancock, Non-Executive Director;
- Clifford Rosenberg, Non-Executive Director; and
- Elana Rubin, Non-Executive Director.

Nadine Lennie will be the Chief Financial Officer of Afterpay Touch Group.

Refer to sections 4.7 and 5.9 for details on the directors and senior management.

6.5

Corporate governance

The Afterpay Touch Group Board is responsible for the corporate governance of the Merged Group. The Afterpay Touch Group Board monitors the operational and financial position and performance of Afterpay Touch Group and oversees its business strategy, including approving the strategic goals of Afterpay Touch Group and considering and approving its annual business plan and the associated budget. The Afterpay Touch Group Board is committed to maximising performance, generating appropriate level of shareholder value and financial return and sustaining the growth and success of Afterpay Touch Group. In conducting Afterpay Touch Group's business with these objectives, the Afterpay Touch Group Board seeks to ensure that Afterpay Touch Group is properly managed to protect and enhance shareholder interests and that Afterpay Touch Group, its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Afterpay Touch Group Board have adopted a framework of corporate governance policies and practices, risk management practices and internal controls that it believes appropriate for Afterpay Touch Group's business.

The Afterpay Touch Group Board has committed to incorporating each of the ASX Corporate Governance Council's Revised Principles and Recommendations (**ASX Recommendations**) into its corporate governance policies (except as otherwise set out below). Afterpay Touch Group's corporate governance policies are summarised below and full details are available on Afterpay's website at www.afterpay.com.au.

6. Information on Afterpay Touch Group (continued)

(a) Board appointment and composition

It is the Afterpay Touch Group Board's policy that there should, where practicable, be a majority of Directors and that the office of Chair be held by an independent non-executive director.

The Afterpay Touch Group Board Charter sets out guidelines for the purpose of determining independence of directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Afterpay Touch Group Board considers an independent director to be a non-executive director who is not a member of Afterpay Touch Group's management and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement. The Afterpay Touch Group Board reviews the independence of each director in light of interests disclosed to the Afterpay Touch Group Board from time to time.

The Afterpay Touch Group Board considers that Michael Jefferies, David Hancock, Clifford Rosenberg and Elana Rubin are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of the director's unfettered and independent judgement and are able to fulfil the role of independent director for the purpose of the ASX Recommendations.

Anthony Eisen and Nicholas Molnar are currently considered by the Afterpay Touch Group Board not to be independent as they are executive directors, and will have substantial shareholdings in Afterpay Touch Group following the Merger.

(b) Afterpay Touch Group Board Charter

The Afterpay Touch Group Board has adopted a written charter which sets out:

- the Afterpay Touch Group Board composition;
- the Afterpay Touch Group Board's role and responsibilities;
- the relationship and interaction between the Afterpay Touch Group Board and management; and
- the authority delegated by the Afterpay Touch Group Board to management and Afterpay Touch Group Board committees.

The Afterpay Touch Group Board's role is to, among other things:

- represent the interests of Afterpay Touch Group Shareholders by overseeing and appraising Afterpay Touch Group's strategies, policies and performance;
- provide strategic direction for, and approval of, corporate strategy and performance objectives;
- review and ratify systems of risk management, internal compliance and control, codes of conduct and legal and regulatory compliance to ensure

appropriate compliance systems and controls are in place;

- monitor senior management's performance and implementation of strategy, and seek to ensure appropriate resources are available;
- approve and monitor the operational and financial position and performance of Afterpay Touch Group;
- approve and monitor the progress of major capital expenditure, capital management, acquisitions and divestments;
- approve and monitor budgets; and
- oversee control and accountability systems.

Matters which are specifically reserved to the Afterpay Touch Group Board or its committees include:

- appointment of the Chair;
- appointment and removal of the Managing Director;
- appointment of directors to fill a vacancy or as an additional director;
- establishment of Afterpay Touch Group Board committees, their membership and their delegated authorities;
- approval of dividends;
- review of corporate codes of conduct; and
- approval of major capital expenditure, acquisitions and divestments in excess of authority levels delegated to management.

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Afterpay Touch Group Board. Management must supply the Afterpay Touch Group Board information in a form, timeframe and quality that will enable the Afterpay Touch Group Board to discharge its duties effectively. The Afterpay Touch Group Board collectively and any individual director may seek independent professional advice at Afterpay Touch Group's expense, subject to the reasonable approval of the Chair of the Afterpay Touch Group Board and the advice being made available to the Afterpay Touch Group Board as a whole.

(c) Afterpay Touch Group Board Committees

(i) Audit, Risk and Compliance Committee

Under its charter, this committee should comprise at least three directors a majority of whom must be independent where practicable, and all of whom must be non-executive directors (to the extent that this is practical given the size and composition of the Afterpay Touch Group Board from time to time). The committee Chair must not be the Chair of Afterpay Touch Group. Members of the committee must comprise of persons who are financially literate and at least one member must be a qualified accountant or other financial professional with appropriate expertise in financial and accounting matters.

Following the Merger, the committee will comprise Michael Jefferies, David Hancock, Clifford Rosenberg and Elana Rubin. Each member is financially literate.

Accordingly, on completion of the Merger, the Audit, Risk and Compliance Committee will comply with the ASX Recommendation that all members be non-executive directors, at least a majority of whom are independent.

The primary role of the committee is to assist the Afterpay Touch Group Board to fulfil its responsibilities for Afterpay Touch Group's financial reporting, external audit, risk management systems and internal control structure. This includes:

- engaging in the oversight of Afterpay Touch Group's financial reporting, internal control, continuous disclosure, financial and non-financial risk and overseeing and reviewing the output of that process;
- assessing the appropriateness and application of Afterpay Touch Group's accounting policies and principles, and any changes to them, so that they accord with the applicable financial reporting framework;
- reviewing and approving Afterpay Touch Group's financial reports;
- reviewing all quarterly, half yearly and annual reports with management, advisors and the external auditors (as appropriate), and recommending the applicable accounts' adoption by the Afterpay Touch Group Board;
- overseeing the establishment of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the ongoing efficacy of those systems;
- reviewing the adequacy of risk management procedures to ensure they comply with legal obligations, including to assist the Managing Director and CFO to provide declarations required under Section 295A of the Corporations Act;
- make recommendations to the Afterpay Touch Group Board on the appointment and independence of the external auditor and consider the rotation of the audit partner and engagement of the external auditors; and
- meeting periodically with the external auditor and inviting them to attend committee meetings to assist the committee to discharge its obligations.

Pursuant to the charter, it is the policy that the external auditor must be independent and that the external auditor's independence be reviewed on an annual basis.

The committee may invite other directors, senior managers and representatives of the external auditor to attend committee meetings and may seek advice from external consultants.

(ii) Remuneration and Nomination Committee

The charter of this committee provides that the committee should comprise at least three directors, where practicable a majority of whom (including the Chair) must be independent and all of whom must be non-executive directors (to the extent that this is practical given the size and composition of the Afterpay Touch Group Board from time to time).

Following the Merger, the Remuneration and Nomination Committee will comprise Michael Jefferies, David Hancock, Clifford Rosenberg and Elana Rubin.

Accordingly, on completion of the Merger, the Remuneration and Nomination Committee will comply with the ASX Recommendation that all members be non-executive directors, at least a majority of whom are independent.

The role of the committee is to assist the Afterpay Touch Group Board with fulfilling its responsibilities to Afterpay Touch Group Shareholders and other stakeholders to seek to ensure that Afterpay Touch Group:

- has coherent and appropriate remuneration policies and practices which enable Afterpay Touch Group to attract and retain directors and executives who will create value for Afterpay Touch Group Shareholders;
- fairly and responsibly remunerates directors and executives having regard to the performance of Afterpay Touch Group, the performance of the executives and the general market environment;
- has policies to evaluate the performance and composition of the Afterpay Touch Group Board, individual directors and executives on (at least) an annual basis with a view to ensuring that Afterpay Touch Group has a Afterpay Touch Group Board of effective composition, size and diversity, expertise and commitment to adequately discharge its responsibilities and duties;
- has adequate succession plans in place (including for the recruitment or appointment of directors and senior management); and
- has policies and procedures that are effective to attract, motivate and retain appropriately skilled and diverse people that meet Afterpay Touch Group needs and that are consistent with Afterpay Touch Group's strategic goals and human resource objectives.

The committee may seek advice and assistance where appropriate (for example, for the purpose of conducting the annual review process) from external consultants.

(iii) Diversity Policy

The workforce of Afterpay Touch Group comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected. To demonstrate Afterpay Touch Group's commitment to developing measurable

6. Information on Afterpay Touch Group (continued)

objectives to achieve diversity and inclusion in its workplace, Afterpay Touch Group has implemented a Diversity Policy. Afterpay Touch Group's policy has meritocracy as a guiding principle, and seeks to align Afterpay Touch Group's management systems with its commitment to continue to develop a culture that values and achieves diversity in its workforce and on its Afterpay Touch Group Board.

In its annual report, Afterpay Touch Group will disclose the measurable objectives for achieving diversity and progress towards the policy's goals, and will also disclose the proportion of women in the whole organisation, women in senior positions and women on the Afterpay Touch Group Board.

(iv) Continuous Disclosure Policy

Once listed, Afterpay Touch Group will be required to comply with the continuous disclosure obligations of the Listing Rules and the Corporations Act. Subject to the exceptions in the Listing Rules, Afterpay Touch Group will be required to disclose any information to the ASX that is not generally available and which a reasonable person would expect to have a material effect on the price or value of Afterpay Touch Group's securities.

Afterpay Touch Group is committed to observing its continuous disclosure obligations. Afterpay Touch Group has adopted a Continuous Disclosure Policy which establishes procedures that are aimed at ensuring that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information. Under the disclosure policy the Company Secretary will be responsible for managing Afterpay Touch Group's compliance with its continuous disclosure obligations.

In addition to being provided to the ASX, continuous disclosure announcements will also be available on Afterpay Touch Group's website at www.afterpay.com.au.

(v) Shareholder Communications

The Afterpay Touch Group Board's aim is to ensure Afterpay Touch Group Shareholders are provided with sufficient information to assess the performance of Afterpay Touch Group and that Afterpay Touch Group Shareholders are informed of all major developments affecting the affairs of Afterpay Touch Group in accordance with all applicable laws. In addition to Afterpay Touch Group's continuous disclosure obligations, Afterpay Touch Group recognises that potential investors and other interested stakeholders may wish to obtain information about Afterpay Touch Group from time to time and Afterpay Touch Group will communicate this information regularly to Afterpay Touch Group Shareholders and other stakeholders through a range of forums and publications.

Afterpay Touch Group is required by law to communicate to Afterpay Touch Group Shareholders through the lodgement of all relevant financial and other information with the ASX. This information will also be published on Afterpay Touch Group's website at www.afterpay.com.au.

Afterpay Touch Group's website will also contain information about Afterpay Touch Group, including media releases, key policies and charters of the Afterpay Touch Group Board and its committees.

(vi) Securities Trading Policy

Afterpay Touch Group has adopted a policy to take effect from Listing for dealing in Afterpay Touch Group's Shares which will apply to the Merged Group's directors, officers, and employees.

The policy outlines the types of conduct in relation to dealing in Afterpay Touch Group Shares that are prohibited by the Corporations Act, and establishes procedures to minimise the risk of dealing in Afterpay Touch Group Shares in breach of those prohibitions.

Subject to certain exceptions, including severe financial hardship or during a period Afterpay Touch Group is complying with heightened disclosure requirements, the policy defines certain prohibited periods during which trading by directors, senior executives, staff involved in Afterpay Touch Group's financial reporting process and certain other employees (**Restricted Employees**) is prohibited. These prohibited periods are:

- Afterpay Touch Group's financial year end until the business day after Afterpay Touch Group releases its annual results to the ASX;
- Afterpay Touch Group's financial half year end until the business day after Afterpay Touch Group releases its half year results to the ASX; and
- any additional periods determined by the Afterpay Touch Group Board from time to time.

Outside of the prohibited periods, Restricted Employees must receive prior clearance for any proposed dealing in Afterpay Touch Group Shares. In all instances, buying and selling of shares is not permitted at any time by any person who possesses price-sensitive information.

In addition to the above restrictions, all directors and employees are prohibited from:

- short term trading in Afterpay Touch Group's securities (such as buying Afterpay Touch Group Shares with a view to selling them within 12 months, other than an acquisition of Afterpay Touch Group Shares upon exercise of options);
- buying Afterpay Touch Group Shares with a margin loan; or
- hedging exposure to unvested equity awards.

A copy of Afterpay Touch Group's security trading policy is available on its website www.afterpay.com.au.

(d) Risk management policy

The identification and proper management of Afterpay Touch Group's risks are integral to successful execution of Afterpay Touch Group's strategies. The Afterpay Touch Group Board has adopted a risk management policy appropriate for its business. This policy sets out Afterpay Touch Group's commitment to designing and implementing systems and practices appropriate to minimise and control its risks.

The Afterpay Touch Group Board is responsible for overseeing and approving risk management strategy and policies, monitoring risk management, and ensuring that major business risks are identified, consistently assessed and appropriately addressed with the assistance of the Audit, Risk and Compliance Committee.

The Afterpay Touch Group Board has in place a system whereby management is required to report as to its assessment of risk management which the Afterpay Touch Group Board will review regularly.

(e) Code of Conduct

The Afterpay Touch Group Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Afterpay Touch Group Board has adopted a code of conduct designed to:

- provide a benchmark for professional behaviour throughout the Merged Group;
- support Afterpay Touch Group's business reputation and corporate image; and
- make directors and employees aware of the consequences if they breach the Code of Conduct.

The Code of Conduct is to be followed by all employees and officers. The key aspects of this code are to:

- act fairly with honesty and integrity in the best interests of Afterpay Touch Group and in the reasonable expectations of Afterpay Touch Group Shareholders;
- act in accordance with all applicable laws, regulations, and Afterpay Touch Group policies and procedures;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use Afterpay Touch Group's resources and property properly.

The code of conduct sets out Afterpay Touch Group's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information and conflicts of interest.

6.6**Afterpay Touch Group Employee Incentive Plan**

Afterpay Touch Group has adopted the Afterpay Touch Group Employee Incentive Plan in order to assist in the motivation and retention of selected Afterpay Touch Group employees. The Afterpay Touch Group Employee Incentive Plan is designed to align the interests of eligible employees more closely with the interests of Afterpay Touch Group by providing an opportunity for eligible employees to receive an equity interest in Afterpay Touch Group. Under the Afterpay Touch Group Employee Incentive Plan, eligible employees may be offered performance rights, options, loan shares, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Afterpay Touch Group Board.

The key terms of the Afterpay Touch Group Employee Incentive Plan are summarised below. A copy of the Afterpay Touch Group Employee Incentive Plan will be made available on Afterpay Touch Group's website at www.afterpay.com.au.

(a) Afterpay Touch Group Employee Rights

Under the Afterpay Touch Group Employee Incentive Plan, Afterpay Touch Group may offer or issue to eligible employees, the following Afterpay Touch Group Employee Rights:

- **performance rights:** a right to be issued or provided with an Afterpay Touch Group Share at nil issue price on specific vesting conditions being achieved;
- **options:** a right to be issued or provided with an Afterpay Touch Group Share on payment of an exercise price and which can only be exercised if specific vesting conditions are achieved;
- **loan shares:** Afterpay Touch Group Shares issued subject to a limited recourse loan and at nil interest rate, subject to specific vesting conditions;
- **deferred share awards:** Afterpay Touch Group Shares issued to employees:
 - who elect to receive Afterpay Touch Group Shares in lieu of any wages, salary, director's fees, or other remuneration; or
 - by Afterpay Touch Group in its discretion, in addition to their wages, salary and remuneration, or in lieu of any discretionary cash bonus or other incentive payment; or
- **exempt share awards:** Afterpay Touch Group Shares issued for no consideration or at an issue price which is a discount to the market price with the intention that up to \$1,000 (or such other amount which is exempted from tax under the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) from time

6. Information on Afterpay Touch Group (continued)

to time) of the total value or discount received by each employee will be exempt from tax.

(b) Eligible employees

Afterpay Touch Group Employee Rights may be granted at the discretion of the Afterpay Touch Group Board to any person who is an employee, officer, director or consultant of a member of the Merged Group.

(c) Price

The Afterpay Touch Group Board has discretion to determine the issue price and/or exercise price for the Afterpay Touch Group Employee Rights.

(d) Vesting and exercise of Afterpay Touch Group Employee Rights

The Afterpay Touch Group Employee Rights held by a participant will vest in and become exercisable by that participant upon the satisfaction of any vesting conditions specified in the offer and in accordance with the rules of the Afterpay Touch Group Employee Incentive Plan. Vesting conditions may be waived at the discretion of the Afterpay Touch Group Board.

(e) Change of control

In the event a takeover bid is made to acquire all of the Afterpay Touch Group Shares on issue, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid, the Afterpay Touch Group Board may waive unsatisfied vesting conditions in relation to some or all Afterpay Touch Group Employee Rights. Further, if a takeover bid is made to acquire all of the Afterpay Touch Group Shares on issue, participants may accept the takeover bid in respect of any Afterpay Touch Group Employee Rights (other than exempt share awards) which they hold notwithstanding the restriction period in respect of those Afterpay Touch Group Employee Rights has not expired.

(f) Claw-back

If any vesting conditions of an Afterpay Touch Group Employee Rights are mistakenly waived or deemed satisfied when in fact they were not satisfied, then in accordance with the terms of the Afterpay Touch Group Employee Incentive Plan, the Afterpay Touch Group Board may determine that the relevant Afterpay Touch Group Employee Rights expire (if not yet exercised), or it may otherwise recover from the participant some or all Afterpay Touch Group Shares issued upon exercise of the Afterpay Touch Group Employee Rights or any proceeds received from the sale of those shares.

(g) Variation of share capital

If prior to the exercise of an Afterpay Touch Group Employee Right, Afterpay Touch Group undergoes a reorganisation of capital or bonus issue, the terms of the Afterpay Touch Group Employee Right will be changed to the extent necessary to comply with the Listing Rules.

6.7

Rights and liabilities attaching to Afterpay Touch Group Shares

The rights and liabilities attaching to ownership of the Afterpay Touch Group Shares are:

- detailed in the Afterpay Touch Group Constitution which is available online at www.afterpay.com.au; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to Afterpay Touch Group Shares and a description of other material provisions of the Afterpay Touch Group Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Afterpay Touch Group Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Afterpay Touch Group Shareholders. This summary assumes Afterpay Touch Group is admitted to the official list of ASX.

(a) Voting

At a general meeting, every shareholder 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 fully paid Afterpay Touch Group Share held. On a poll, partly paid Afterpay Touch Group Shares (if any) confer a fraction of a vote pro-rata to the amount paid up on the Afterpay Touch Group Share.

(b) Dividends

Subject to any special terms and conditions of issue, the amount which the directors from time to time determine to distribute by way of dividend are divisible among the shareholders in proportion to the amounts paid up on the Afterpay Touch Group Shares held by them.

(c) Issue of shares

Subject to the Afterpay Touch Group Constitution, the Listing Rules and the Corporations Act, the directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions and the issue price they think fit. Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital or otherwise, as the directors think fit.

(d) Variation of class rights

Subject to the Corporations Act and the Listing Rules, the rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- with the written consent of the holders of 75% of the shares of the class; or

- by a special resolution passed at a separate meeting of the holders of shares of the class.

(e) Transfer of shares

Subject to the Afterpay Touch Group Constitution, the Corporations Act, the Listing Rules and to the rights or restrictions attached to any shares or class of shares, holders of Afterpay Touch Group Shares may transfer them by a proper transfer effected in accordance with the ASX Settlement Operating Rules or an instrument in writing in any usual form or in any other form that the directors approve.

The directors may decline to register a transfer of Afterpay Touch Group Shares for reasons including where the transfer is not in registrable form or where the refusal to register the transfer is permitted under the Listing Rules or the ASX Settlement Operating Rules. If the directors decline to register a transfer, Afterpay Touch Group must give the party lodging the transfer written notice of the refusal and the reason for refusal.

(f) Small holdings

The directors may sell Afterpay Touch Group Shares on behalf of an Afterpay Touch Group Shareholder if that shareholder holds less than a marketable parcel of Afterpay Touch Group Shares, provided that the procedures set out in the Afterpay Touch Group Constitution are followed including offering an opt-out ability to all affected Afterpay Touch Group Shareholders. A non-marketable parcel of Afterpay Touch Group Shares is defined in the Listing Rules and is, generally, a holding of shares with a market value of less than \$500.

(g) General meetings and notices

Subject to the Afterpay Touch Group Constitution and to the rights or restrictions attached to any shares or class of shares, each shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of Afterpay Touch Group and receive all financial statements, notices and other documents required to be sent to shareholders under the Afterpay Touch Group Constitution or the Corporations Act.

(h) Winding up

Subject to any special or preferential rights attaching to any class or classes of shares, the Afterpay Touch Group Constitution, the Corporations Act and the Listing Rules, shareholders will be entitled in a winding up to share in any surplus assets of Afterpay Touch Group in proportion to the shares held by them, less any amounts which remain unpaid on these shares at the time of distribution.

(i) Directors – appointment and removal

The minimum number of directors is three and the maximum is to be fixed by the directors but may not be more than 10 unless Afterpay Touch Group passes a resolution varying that number. Directors are elected at annual general meetings of Afterpay Touch Group. Retirement will occur on a rotational basis so that any director who has held office for three or more years or three or more annual general meetings (excluding any managing director) retires at the annual general meeting of Afterpay Touch Group, and may stand for re-election. The directors may also appoint a director to fill a casual vacancy on the Afterpay Touch Group Board or as an addition to the Afterpay Touch Group Board, who will then hold office until the next annual general meeting of Afterpay Touch Group and may stand for re-election.

(j) Directors – voting

Questions arising at a meeting of directors will be decided by a majority of votes of the directors present at the meeting and entitled to vote on the matter. Subject to the Listing Rules, in the case of a tied vote, the Chair has a second or casting vote, unless there are only two directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

(k) Directors' remuneration

The directors, other than the executive directors, are entitled to be paid by such directors' fees for their services as the directors decide, provided that the total fees do not exceed the maximum aggregate sum of \$700,000 or such other amount as may be approved from time to time by Afterpay Touch Group Shareholders in general meeting. The Afterpay Touch Group Constitution also makes provision for Afterpay Touch Group to pay all expenses of directors in attending meetings and carrying out their duties and for the payment of additional fees for extra services or special exertions. Any change to that maximum aggregate sum needs to be approved by Afterpay Touch Group Shareholders.

(l) Alteration of share capital

Subject to the Listing Rules, the Afterpay Touch Group Constitution and the Corporations Act, Afterpay Touch Group may alter its share capital.

(m) Variation of the Afterpay Touch Group Constitution

The Afterpay Touch Group Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at a general meeting of Afterpay Touch Group.

(n) Share buy-backs

Afterpay Touch Group may buy back shares in accordance with the provisions of the Corporations Act.

6. Information on Afterpay Touch Group (continued)

6.8

Afterpay Touch Group's intentions if the Merger is implemented

This section sets out Afterpay Touch Group's present intentions in relation to the continuation of the business of Touchcorp, any major changes to be made to the business of Touchcorp, including any redeployment of the fixed assets of Touchcorp and the future employment of the present employees of Touchcorp, if the Touchcorp Scheme is implemented.

The statements set out in this section are statements of present intention only and have been formed on the basis of facts and information concerning Touchcorp (including certain non-public information made available by Touchcorp to Afterpay Touch Group prior to the entry into the Merger Implementation Agreement) and the general business environment which is known to Afterpay Touch Group at the time of preparing this Scheme Booklet. Final decisions on these matters will only be made by Afterpay Touch Group in light of all material facts and circumstances at the relevant time. Accordingly, statements set out in this section which may change as new information becomes available or as circumstances change, and the statements in this section should be read in that context.

If the Merger is implemented:

- Afterpay Touch Group will become the holder of all Touchcorp Shares and Touchcorp will become a wholly owned subsidiary of Afterpay Touch Group;
- Afterpay Touch Group will apply for Touchcorp and Afterpay to be removed from the official list of the ASX;
- Afterpay Touch Group will continue to operate the businesses which are currently being operated by Touchcorp and Afterpay. While Afterpay Touch Group does not intend to discontinue any of the current operations of Touchcorp or Afterpay, resources available to Afterpay Touch Group will be directed to the activities within the Touchcorp and Afterpay businesses which will generate the best return on investment for Afterpay Touch Group shareholders.

Except for the changes and intentions set out in this section, following implementation of the Scheme Afterpay Touch Group intends, based on the information presently known to it:

- to continue the business of Touchcorp;
- not to make any major changes to the business of Touchcorp or the deployment of Touchcorp's assets; and
- to continue the employment of Touchcorp's employees.

6.9

No dealing in Touchcorp Shares in previous four months

Except for the consideration to be provided under the Merger, during the period of 4 months before the date of this Scheme Booklet, neither Afterpay Touch Group nor any of its associates have provided or agreed to provide consideration for any Touchcorp Shares under a purchase or agreement.

6.10

Benefits to holders of Touchcorp or Afterpay Touch Group Shares

Other than as set out above, neither Afterpay Touch Group nor any of its associates has given or offered to give or agreed to give a benefit to another person that was likely to induce the other person, or an Associate of that person to:

- vote in favour of the Touchcorp Scheme; or
- dispose of Touchcorp Shares,

during the period of 4 months ending on the date of this Scheme Booklet and which was not offered to all other Touchcorp Shareholders.

6.11

Afterpay Touch Group financial information

This section contains the pro forma historical financial information of Afterpay Touch Group and has been provided in connection with the Merger.

(a) Basis of preparation of the pro forma historical financial information

This section contains the following pro forma historical financial information.

The pro forma historical financial information of Afterpay Touch Group includes:

- (i) The pro forma historical consolidated statement of financial position of Afterpay Touch Group as at 31 December 2016 ("**Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position**"); and
- (ii) The pro forma historical consolidated income statement of Afterpay Touch Group for the 12 months ended 31 December 2016 ("**Afterpay Touch Group Pro Forma Historical Consolidated Income Statement**")

together, the "**Pro Forma Historical Financial Information**".

The Afterpay Touch Group Pro Forma Historical Financial Information has been prepared solely for the purpose of inclusion in this Scheme Booklet.

The Afterpay Touch Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect (i) the exclusion of certain transactions that occurred in the relevant period and (ii) the impact of certain transactions as if they had occurred on 1 January 2016 in the Pro Forma Historical Consolidated Income Statement or on 31 December 2016 in the Pro Forma Historical Consolidated Statement of Financial Position.

The Afterpay Touch Group Pro Forma Historical Financial Information is presented in abbreviated form and does not include all of the presentation, disclosures, statements and comparative information as required by AAS applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position has been derived from the historical consolidated statements of financial position of Afterpay and Touchcorp as at 31 December 2016, adjusted for the pro forma adjustments. The historical consolidated statement of financial position of Touchcorp as at 31 December 2016 has been derived from the general purpose

financial statements of Touchcorp for the year ended 31 December 2016, which was audited by Ernst & Young and upon which an unqualified audit opinion was issued, and the historical statement of financial position of Afterpay as at 31 December 2016 has been derived from the interim financial statements of Afterpay for the six months ended 31 December 2016, which was reviewed by Ernst & Young and upon which an unqualified limited assurance conclusion was issued. The Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position is prepared on the assumption that the proposed Merger was implemented as at 31 December 2016.

The Afterpay Touch Group Pro Forma Historical Consolidated Income Statement has been derived from the general purpose financial statements of Touchcorp for the year ended 31 December 2016 and from the general purpose financial statements of Afterpay for the year ended 30 June 2016 and interim financial statements for the six month periods ended 31 December 2016 and 31 December 2015, adjusted for the effects of the pro forma adjustments described below. The Afterpay Touch Group Pro Forma Historical Income Statement is prepared on the assumption that the proposed merger was implemented as at 1 January 2016.

In preparing the Afterpay Touch Group Pro Forma Historical Financial Information, no adjustments have been made for potential changes in the cost or operating structure resulting from the merger of Afterpay and Touchcorp.

Due to its nature, the Afterpay Touch Group Pro Forma Historical Financial Information does not represent Afterpay Touch Group's actual or prospective financial performance or position.

A preliminary comparison of the Touchcorp and Afterpay accounting policies has not identified any material differences in accounting policies. For the accounting policies of Touchcorp, please refer to the Touchcorp annual report for the year ended 31 December 2016 and for the accounting policies of Afterpay, please refer to the Afterpay annual report for the year ended 30 June 2016.

The Pro Forma Historical Financial Information set out in this section 6.11 should be read in conjunction with the risk factors set out in section 7 of this Scheme Booklet.

Ernst & Young Transaction Advisory Services Limited has been appointed as the Investigating Accountant to prepare an Independent Limited Assurance Report on the Pro Forma Historical Financial Information. The Independent Limited Assurance Report is set out in Annexure B of this Scheme Booklet. Afterpay Shareholders should note the scope and limitations of the Independent Limited Assurance Report.

6. Information on Afterpay Touch Group (continued)

(b) Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2016

\$A	As at 31 Dec 2016 Afterpay	As at 31 Dec 2016 Touchcorp	Notes	Pro Forma Adjustments	As at 31 Dec 2016 Pro Forma ATG
Current Assets					
Cash and cash equivalents	27,740,034	27,745,731		–	55,485,765
Trade and other receivables	38,798,290	11,867,144	(i)	(1,596,366)	49,069,068
Other current assets	5,768,250	9,474,375		–	15,242,625
Total current assets	72,306,574	49,087,250		(1,596,366)	119,797,458
Non current assets					
Deferred tax assets	1,555,695	4,223,361	(ii)	3,067,846	8,846,902
Property, plant and equipment	71,360	2,893,953		–	2,965,313
Intangible assets	10,936,820	16,134,503		–	27,071,323
Investment in an associate	–	20,489,222	(ii)	(20,489,222)	–
Financial assets	–	5,000,000		–	5,000,000
Prepayments	–	1,625,000		–	1,625,000
Goodwill	–	–	(iv)	14,687,996	14,687,996
Total non current assets	12,563,875	50,366,039		(2,733,380)	60,196,534
TOTAL ASSETS	84,870,449	99,453,289		(4,329,746)	179,993,992
Current liabilities					
Trade and other payables	(4,545,446)	(16,080,844)	(i) & (iii)	(803,634)	(21,429,924)
Employee provisions	(115,317)	(1,147,654)		–	(1,262,971)
Interest-bearing liabilities	(8,094,560)	–		–	(8,094,560)
Total current liabilities	(12,755,323)	(17,228,498)		(803,634)	(30,787,455)
Non current liabilities					
Long service leave provision	(10,945)	(96,224)		–	(107,169)
Total non current liabilities	(10,945)	(96,224)		–	(107,169)
TOTAL LIABILITIES	(12,766,268)	(17,324,722)		(803,634)	(30,894,624)
NET ASSETS	72,104,181	82,128,567		(5,133,380)	149,099,368
Issued capital	76,513,415	83,439,656	(iv)	(5,344,469)	154,608,602
Accumulated losses	(4,988,515)	(2,975,730)	(iii) & (iv)	1,875,730	(6,088,515)
Reserves	579,281	1,664,641	(iv)	(1,664,641)	579,281
TOTAL EQUITY	72,104,181	82,128,567		(5,133,380)	149,099,368

Whilst pro forma cash and cash equivalents is \$55.5 million in the Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2016, Afterpay Touch Group expects that net cash outflow between 31 December 2016 and completion of the Merger will reduce this balance, including due to Touchcorp's investing cash outflows and Afterpay's operating cash flows. Pro forma cash and cash equivalents should also be considered with reference to Merger Transaction Costs, Customer Development Expenses, and potential synergies, integration costs and costs of achieving synergies.

The following pro forma adjustments have been made for the purposes of illustrating the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2016 as if the Merger had occurred on 31 December 2016:

(i) Group Intercompany Transactions and Balances

Touchcorp provides services to Afterpay under the SDLA. The intercompany receivable and payable balances of \$1.6m between Afterpay and Touchcorp at 31 December 2016 have been removed from the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position.

(ii) Investment of Touchcorp in Afterpay

In 2015, Touchcorp acquired 10 million shares representing a 35.7% interest in Afterpay. From this date Touchcorp accounted for its investment in Afterpay using the equity accounting method. During the year ended 31 December 2016, Afterpay undertook an initial public offering and subsequent capital raising. Touchcorp did not participate in these equity raisings and as a result Touchcorp's interest in Afterpay reduced from 35.7% to 27.7%. As a result there was a gain on the deemed disposal of this interest recorded in Touchcorp's Income Statement, together with Touchcorp's share of Afterpay's operating loss after tax. Touchcorp also recorded a deferred tax liability of \$3.1m as at 31 December 2016 in relation to its investment in Afterpay.

Following the Merger, Touchcorp will be considered to be a controlled entity of Afterpay under AAS, and as a result, Touchcorp's equity accounted investment balance and corresponding deferred tax liability have been removed from the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position as at 31 December 2016. As noted below the gain on the deemed disposal of Touchcorp's interest in Afterpay has been removed from the Pro Forma Consolidated Income Statement for the 12 months ended 31 December 2016.

(iii) Merger Transaction Costs

The Afterpay Touch Group anticipates the following non-recurring costs attributable to the Merger:

- Transaction costs related to the Merger and expected to be incurred by Afterpay post 31 December 2016 of \$1.1m which will be expensed; and
- Transaction costs related to the Merger expected to be incurred by Touchcorp post 31 December 2016 of \$1.3m which will be treated as pre-acquisition expenses.

These costs have been included in the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position. The transaction costs incurred by Touchcorp increase the Goodwill on acquisition by \$1.3m (refer (iv) Goodwill on Acquisition below) and the transaction costs incurred by Afterpay increase Accumulated Losses by \$1.1m. The full amount of \$2.4m has been included as an adjustment in Trade and Other Payables.

For the purposes of the Afterpay Touch Group Pro Forma Historical Income Statement, the transaction costs incurred by Touchcorp and Afterpay have been presented at their gross amounts and have not considered the impact of any tax benefits arising from these transaction costs as the tax profile of the Afterpay Touch Group's tax consolidated group is not yet known at the date of this Scheme Booklet.

(iv) Acquisition accounting and Goodwill on Acquisition

Given the relative market capitalisation of Afterpay and Touchcorp, together with the future anticipated Afterpay Touch Group Board and executive representation, Afterpay has been identified as the acquirer of Touchcorp and the Afterpay Touch Group Pro Forma Historical Financial Information has been prepared assuming acquisition of the Touchcorp business by Afterpay.

6. Information on Afterpay Touch Group (continued)

Goodwill arises as a result of the difference between the deemed purchase consideration less the fair value of the net assets of the Touchcorp business. The deemed purchase consideration has been based on Afterpay's share price of \$2.40, the share price at the close of business on 24 April 2017. The final purchase consideration will reflect Afterpay's actual share price at the completion of the Merger. The purchase consideration has been calculated as follows:

Number of shares issue to Touchcorp shareholders	81,776,044
Fair value of shares issued (\$)	196,262,504
Fair value of employee shares issued subject to non-recourse loans (\$)	1,832,683
Total purchase consideration \$ (A)	198,095,187

The fair value of the net assets of the Touchcorp has been determined as follows (amounts in \$).

Net assets at 1 December 2016	82,128,567
Less Afterpay investment in associate (note ii)	(20,489,222)
Add revaluation of shares in Afterpay to fair value	120,000,000
Add deferred tax liability associated with Afterpay investment (note ii)	3,067,846
Less Touchcorp transaction costs (note iii)	(1,300,000)
Adjusted Touchcorp net assets (B)	183,407,191
Pro Forma Goodwill being (A) minus (B)	14,687,996

The pro forma adjustments to issued capital reflect the elimination on consolidation of Touchcorp's issued capital and capital help by Touchcorp in Afterpay as shown in the table below (amounts are in \$).

Afterpay issued capital at 31 December 2016	76,513,415
Touchcorp issued capital at 31 December 2016	83,439,656
Add new ATG shares issued	196,262,504
Add fair value of converted ATG shares subject to non-recourse loans	1,832,683
Less elimination of shares on consolidation	(83,439,656)
Less Afterpay shares held as treasury shares	(120,000,000)
Pro Forma Issued Capital	154,608,602

Accumulated Losses have been adjusted to reflect the elimination on consolidation of the Touchcorp balance of \$3.0m as well as the additional Afterpay transaction costs of \$1.1m noted in (iii) Merger Transaction Costs above.

Reserves have been adjusted to reflect the elimination upon consolidation of the Touchcorp Reserves of \$1.7m.

AASB 3 requires all identifiable assets (including intangible assets and deferred tax balances) and liabilities that meet certain recognition criteria to be recognised in the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position. The excess of the cost of the acquisition over and above the net fair value of the identifiable assets and liabilities is to be recognised as goodwill.

The acquirer is allowed a period of 12 months from the acquisition date to finalise the identification and valuation process and any resultant accounting adjustments. Afterpay Touch Group has not finalised the identification and valuation of Touchcorp's assets and liabilities, which will not be finalised until the transaction is implemented. For the purposes of preparing the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position, except where otherwise stated, it has been assumed that the carrying value of assets and liabilities are equal to their fair value and that there will be no separately identifiable intangible assets other than those already recognised in the 31 December 2016 historical statements of financial position of Touchcorp and Afterpay.

Additional amortisation relating to identified intangible assets may arise as a result of the transaction and the finalisation of the accounting for the transaction has not been reflected in the Afterpay Touch Group Pro Forma Historical Financial Information.

For the purpose of preparing the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position, it has been assumed that there will be no resetting of the Merged Group's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position. Any resulting adjustment will have an equal but opposite impact on the amount of goodwill recognised.

(c) Afterpay Touch Group Pro Forma Historical Consolidated Income Statement
for 12 months ended 31 December 2016

\$A	For the 12 months ended 31 Dec 2016 Afterpay	For the year ended 31 Dec 2016 Touchcorp	Notes	Pro Forma Adjustments	For the 12 months ended 31 Dec 2016 Pro Forma ATG
Revenue	7,174,207	36,817,162	(i)	(2,414,643)	41,576,726
Cost of sales	(1,406,662)	(10,816,220)	(i)	1,164,643	(11,058,239)
Gross profit	5,767,545	26,000,942		(1,250,000)	30,518,487
Other income	1,440,803	461,645		–	1,902,448
Employee expenses	(2,884,761)	(8,501,594)	(i)	1,250,000	(10,136,355)
General operating expense	(3,964,381)	(7,746,952)		–	(11,711,333)
Customer development expense	–	(5,646,000)		–	(5,646,000)
Bad and doubtful debts	(2,282,550)	(52,222)		–	(2,334,772)
Depreciation & amortisation	(2,668,116)	(3,851,833)		–	(6,519,949)
Interest	291,608	146,233		–	437,841
Share of gain (loss) from an associate	–	14,261,392	(ii)	(14,261,292)	–
Net Profit (Loss) before Tax	(4,299,852)	15,071,611		(14,261,392)	(3,489,633)
Income tax benefit (expense)	615,588	(3,499,228)	(ii)	3,067,846	184,206
Net Profit After Tax	(3,684,264)	11,572,383		(11,193,546)	(3,305,427)

The following pro forma adjustments have been included in the Pro Forma Historical Consolidated Income Statement for the year ended 31 December 2016 as if the Merger had occurred on 1 January 2016:

(i) Group transactions

Touchcorp provides services to Afterpay under the SDLA. During the year ended 31 December 2016, Touchcorp earned transaction fees totalling \$1.16m and \$1.25m for software development. The revenue and expenses recorded from Merged Group transactions have been removed from the Afterpay Touch Group Pro Forma Historical Consolidated Income Statement. The \$1.25m deducted from employee expenses, represents the development salaries which would otherwise be capitalised under the Touchcorp software development accounting policy.

(ii) Investment of Touchcorp in Afterpay

In 2015, Touchcorp acquired 10 million shares representing 35.7% interest in Afterpay. From this date Touchcorp accounted for its investment in Afterpay using the equity accounting method. During the year ended 31 December 2016, Afterpay undertook an initial public offering and subsequent capital raising. Touchcorp did not participate in these equity raisings and as a result Touchcorp's interest in Afterpay was reduced from 35.7% to 27.7%. A gain on the deemed disposal of this reduction in equity interest was recorded in the historical consolidated income statement of Touchcorp for the year ended 31 December 2016, together with Touchcorp's share of Afterpay's operating loss after tax. Touchcorp also recorded an income tax expense of \$3.1m in relation to its share of gain from investment in Afterpay.

Being the Excluded Shareholder, Touchcorp's Subsidiary will not dispose of its Afterpay Shares pursuant to the Afterpay Scheme and accordingly no capital gains tax consequences will arise to the Touchcorp Group from disposal.

The share of gain from an associate of \$14.3m and the corresponding income tax expense of \$3.1m have been removed from the Afterpay Touch Group Pro Forma Historical Consolidated Income Statement.

6. Information on Afterpay Touch Group (continued)

(d) Items not reflected in the Afterpay Touch Group Pro Forma Historical Financial Information

(i) The Merger is expected to generate cost synergies and has the potential to generate revenue synergies

The Merger is expected to result in cost savings for the Merged Group relative to Afterpay and Touchcorp operating on a stand-alone basis.

The management teams of Afterpay and Touchcorp expect to generate cost synergies in the first year of combined operations. The key drivers of these cost synergies include savings from the following areas:

- duplicated public company costs
- rationalisation of resources
- insurances
- general overheads and administrative costs
- transaction processing costs as a result of economies of scale

After the Merger is effective, management of the Afterpay Touchcorp Group will implement strategies to achieve these savings. It is expected that over a 12 month period, arrangements will be put in place to achieve 100% of the operational savings on a go forward basis. The management teams estimate that there will be one-off costs associated with achieving the cost synergies but that these will be significantly less than the synergies which can be achieved in the medium term.

In addition to the cost savings, the Merger has the potential to provide revenue synergies including:

- Cross selling of the Merged Group's complementary "pay later" and "pay now" products
- More focused relationships which can better leverage Touchcorp's innovative technology to meet customer payment and fraud management needs
- Leveraging an enlarged database for fraud and repayment capability

Synergy benefits which are expected to occur following implementation of the Merger, and the costs associated with achieving them, have not been included in the Afterpay Touch Group Pro Forma Historical Financial Information for the 12 months ended December 2016.

(ii) Taxation

Following implementation of the Merger, Touchcorp and its wholly owned subsidiaries intend to join the Afterpay Touch Group's tax consolidated group. Under the tax consolidation regime, the existing tax base of each joining entity's assets will be reset, which may have an impact on the income tax expense and deferred tax balance. A detailed assessment of the consequences of joining the Afterpay Touch Group tax consolidated group will be undertaken following implementation of the Merger. These consequences have not been included in the Afterpay Touch Group's Pro Forma Historical Consolidated Financial Information.

Touchcorp's R&D tax incentive claim for the year ended 31 December 2014 is subject to an AusIndustry review. Touchcorp has responded to the information request and to date no further correspondence has been received from AusIndustry in relation to the information provided. The outcome of the AusIndustry review is not known as at the date of this report.

(iii) Customer Development Expense

Customer development expenses are business development fees, access fees or rebates paid to a party with whom Touchcorp seeks to co-operate to increase the number of transactions carried on the Touch System Platform. Afterpay Touch Group's Pro Forma Historical Consolidated Income Statement for the 12 months ended December 2016 assumes that this expenditure is expected to increase gross revenue through the winning of new business in future years. The Afterpay Touch Group intends to review this expenditure after the Merger to ensure that its categorisation remains consistent with the strategy for the Merged Group. Touchcorp is party to a 5 year contract in which monthly amounts are paid in relation to the delivery of current revenue generating services as well as new opportunities to increase the transactions processed and consequential revenue. As at 31 December 2016, total payments remaining under the existing contract to December 2019 total \$10.9m with prepaid amounts of \$4.9m included as an asset as at 31 December 2016. Should future revenue opportunities not arise as expected and the contract is determined to be onerous in the future, monthly payments will continue over the remaining contract term, however, an expense calculated as prepaid amounts plus future required payments less anticipated future revenues would be recorded as a one off expense.

(iv) Employee Incentives

There was an additional 400,000 shares issued to employees of Touchcorp under the Employee Incentive Plan on 21 April 2017 in the ordinary course and not in connection with the Merger. These were awarded in the form of loan shares, issued with an exercise price equal to the closing Touchcorp share price on 28 April 2017, vesting on 31 December 2017. The fair value of the shares assuming the vesting conditions are met have a fair value of \$0.2m. No adjustment to the Afterpay Touch Group Pro Forma Historical Consolidated Income Statement or the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position has been made for the issue of these shares. The additional \$0.2m will be recognised in the Afterpay Touch Group Consolidated Income Statement as an increase in share based payments expense and share based payments reserve over the vesting period.

As outlined in section 3.30, within the first 12 months following implementation of the Merger, the board of Afterpay Touch Group intends to establish appropriate incentive and remuneration arrangements for executive directors and employees of the Afterpay Touch Group. As part of this process, the current intention is to issue up to 12 million Afterpay Touch Group loan shares, under the terms of the Afterpay Touch Group Employee Incentive Plan, to appropriately remunerate and incentivise executive directors and employees of the merged entity.

No adjustment to the Afterpay Touch Group Pro Forma Historical Consolidated Income Statement or the Afterpay Touch Group Pro Forma Historical Consolidated Statement of Financial Position has been made for these loan shares.

(v) Updated Trading Performance

The Afterpay Touch Group Pro Forma Historical Consolidated Income Statement has not been adjusted to reflect the:

- trading of either Touchcorp or Afterpay since 31 December 2016;
- synergy benefits which are expected to occur following the Merger, or integration costs or the costs of achieving synergies (refer c(i) above);
- additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of the transaction and the finalisation of the accounting for the transaction in accordance with AASB 3 .

In addition to the above, the estimated transaction costs of approximately \$1.1m for Afterpay and approximately \$1.3m for Touchcorp, which are considered to be one-off in nature, have not been reflected in the Afterpay Touch Group Pro Forma Historical Consolidated Income Statement. The transaction costs are an estimate of the costs incurred that are directly related to the Merger, including fees payable by Afterpay and Touchcorp to advisers.

6.12**No other material information**

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Touchcorp Scheme, being information that is within the knowledge of any director of Afterpay Touch Group, at the date of this Scheme Booklet, which has not previously been disclosed to Touchcorp Shareholders.

Afterpay Touch Group Risk Factors

7. Afterpay Touch Group Risk Factors

The Merger and Touchcorp Scheme presents a number of potential risks that Touchcorp Shareholders and Afterpay Scheme Shareholders should consider when deciding how to vote on the Merger. If the Touchcorp Scheme is implemented, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive Afterpay Touch Group Shares. If the Afterpay Scheme is implemented, Afterpay Scheme Participants (other than Ineligible Foreign Shareholders) will receive Afterpay Touch Group Shares. The value of the Touchcorp Scheme Consideration to Touchcorp Scheme Participants, and Afterpay Scheme Consideration to Afterpay Scheme Participants, will depend on the price of Afterpay Touch Group Shares following implementation of the Merger.

In addition, upon the Merger being implemented, the Touchcorp and Afterpay businesses will be owned by Afterpay Touch Group, and both Touchcorp Scheme Participants and Afterpay Scheme Participants (other than Ineligible Foreign Shareholders) will become Afterpay Touch Group Shareholders. As a result, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will continue to be exposed to the risks associated with having an interest in Touchcorp and will have a larger exposure to the risks associated with an interest in Afterpay. Similarly, Afterpay Scheme Participants (other than Ineligible Foreign Shareholders) will continue to be exposed to the risks associated with having an interest in Afterpay and will additionally be exposed to the risks associated with an interest in Touchcorp. There are also additional risks that Afterpay Touch Group shareholders will be exposed to as a result of holding Afterpay Touch Group Shares if the Merger becomes Effective.

There are many risk factors that could adversely affect the Merged Group's business, operations, financial performance, cash flows and prospects which will consequently affect the price of Afterpay Touch Group Shares.

Although Afterpay Touch Group will have in place a number of strategies to minimise the exposure to, and mitigate the effects of, some of the risks outlined in this section 7, there can be no assurance that such arrangements will protect Afterpay Touch Group fully from such risks. In addition, certain risks will remain outside the control of Afterpay Touch Group.

The risk factors described in this section 7 outline some of the key, but not all, risks associated with an investment in Afterpay Touch Group. The outline of risks in this section is a summary only and should not be considered exhaustive.

You should carefully consider the following risks as well as the other information contained in this Scheme Booklet before voting on the Touchcorp Scheme. This section 7 does not take into account the investment objectives, financial situation, taxation position or particular needs of Touchcorp Scheme Participants.

7.1

Risks relating to the implementation of the Touchcorp Scheme and the Merger

(a) Approval of the Touchcorp Scheme

There is a risk that the Touchcorp Scheme or the Afterpay Scheme may not be approved by the Requisite Majorities and/or sanctioned by the Bermudian Court or approved by the Australian Court, respectively. If either the Touchcorp Scheme is not approved or sanctioned or the Afterpay Scheme is not approved, the Merger will not proceed. See section 3.28 for information on consequences for Touchcorp if the Merger does not proceed.

(b) Market value of the Touchcorp Scheme Consideration

Under the terms of the Touchcorp Scheme, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will receive 0.64 Afterpay Touch Group Shares for each Touchcorp Share they hold as at the Record Date. The value of the Touchcorp Scheme Consideration that would be realised by individual Touchcorp Shareholders will depend on the price at which Afterpay Touch Group Shares trade on ASX after the Implementation Date.

For Ineligible Foreign Shareholders, the value of the consideration they will receive will depend on the price realised by the Sale Nominee in respect of the sale of Afterpay Touch Group Shares attributable to the Ineligible Foreign Shareholders.

Some of Touchcorp's Shareholders may not intend to continue to hold the Afterpay Touch Group Shares received under the Touchcorp Scheme and may wish to sell them on ASX soon after the Implementation Date. There is a risk that such sales may exert downward pressure on the price of Afterpay Touch Group Shares in the short term.

In any event, there is no guarantee regarding the market price of the Afterpay Touch Group Shares when they commence to trade on the ASX. Future market prices may either be above or below current or historical market prices. Information about the current trading prices of Afterpay Touch Group Shares may be obtained from www.asx.com.au.

7. Afterpay Touch Group Risk Factors (continued)

(c) Integration risk and realisation of synergies

There is a risk that the Merged Group's success and profitability could be adversely affected if Afterpay's business is not integrated effectively with Touchcorp's business. The integration of Afterpay and Touchcorp into the Merged Group may encounter unexpected challenges or issues. These include (but are not limited to) a failure to obtain necessary consents or unexpected delays, challenges, liabilities and costs in relation to, but not limited to, integrating operating and management systems such as IT, information or accounting systems, or that it diverts management attention or does not deliver the expected benefits (including synergy benefits) and this may affect the Merged Group's operating and financial performance.

There is a risk that integration could take longer or cost more than expected or that the anticipated benefits and synergies of the integration may be less than estimated (see section 6.11(a) for further information on synergies that may result from the Merger). Any failure to achieve targeted synergies may impact on the financial performance and position of the Merged Group and the future price of Afterpay Touch Group Shares. Possible problems may include:

- disruption to the ongoing operations of both businesses;
- higher than anticipated integration costs;
- unforeseen costs relating to integration of IT platforms, network capabilities, management information systems and financial and accounting systems of both businesses;
- unintended loss of key personnel or expert knowledge or reduced employee productivity due to uncertainty arising as a result of the Merger; and
- unforeseen costs or disruption as a result of the transition of Afterpay and Touchcorp into Subsidiaries of Afterpay Touch Group.

(d) Contract risk

Some contracts to which Afterpay or Touchcorp is a party may contain 'change of control' provisions (or equivalent) that could be triggered by implementation of the Merger, allowing the counterparty to renegotiate or terminate the contract. If a counterparty to any such contract were to terminate or seek to renegotiate the contract this may have an adverse effect on the Merged Group, depending on the relevant contract.

(e) Due diligence

Before executing the Merger Implementation Agreement, Afterpay and Touchcorp undertook a due diligence exercise on each other for the purpose of negotiating the terms of the Merger.

Whilst Afterpay and Touchcorp decided to proceed with the Merger following that due diligence exercise, there is a risk that any assumptions made during the due diligence period may prove to be false or incorrect.

Furthermore, after implementation of the Merger, the Merged Group will be subject to any unknown liabilities of either Afterpay or Touchcorp which may have an adverse effect on the Merged Group's performance and financial condition.

(f) Change in risk and investment profile

After implementation of the Touchcorp Scheme and the Merger, Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) will have a larger exposure to the risks associated with Afterpay's business (Touchcorp is already currently exposed to those risks by virtue of having an interest in Afterpay), and to certain additional risks relating to the Merged Group and the integration of the two businesses as set out in section 7.2.

Whilst the operations of Afterpay and Touchcorp are similar in a number of ways, the portfolio of merchant clients and end customers, capital structure and size of the Merged Group will be different from that of Touchcorp currently.

(g) Risks for Touchcorp Shareholders if the Touchcorp Scheme and the Merger do not proceed

If the Touchcorp Scheme (and effectively, the Merger) does not proceed and no other acceptable proposal is received, Touchcorp will continue on a stand-alone basis and Touchcorp Shareholders will retain their Touchcorp Shares. In these circumstances the price at which both Touchcorp Shares and Afterpay Shares (to which Touchcorp is exposed by virtue of its holding) may trade on ASX is uncertain.

(i) Current Touchcorp business risks

Other risk factors in respect of the Touchcorp business that Touchcorp Shareholders will remain exposed to if the Touchcorp Scheme and the Merger do not proceed, include:

(A) Bermuda incorporation

Touchcorp is incorporated and registered in Bermuda and its corporate affairs and the rights of Touchcorp Shareholders are governed by, among other things, Touchcorp's Bye-laws and the Companies Act.

The Bermudian laws relating to the protection of the interests of minority shareholders and the fiduciary responsibilities of directors differ from Australian laws. Touchcorp has incorporated into its Bye-laws shareholder protection provisions that are similar to the provisions of the Corporations Act. These provisions seek to protect the interests of Touchcorp Shareholders where a person seeks to acquire a substantial interest in, or control of, Touchcorp. There are presently no requirements under any Bermudian laws or regulations of general application requiring persons who acquire significant shareholdings in a company to make takeover offers for the Touchcorp Shares. As Touchcorp is incorporated in Bermuda, the provisions of the Corporations Act relating to takeovers and substantial shareholdings will not apply to offers for the Touchcorp Shares. There is therefore a risk that Touchcorp Shareholders do not benefit from the same level of protection under Bermudian law as under the Corporations Act.

In addition, shareholders of Bermudian companies do not generally have rights to take action against directors or officers of Bermudian companies, and may only do so in limited circumstances. As a result of Touchcorp being incorporated in Bermuda, it may also be difficult for investors to effect service of process upon Touchcorp within Australia. While there is a mechanism for enforcing judgments through Bermuda's Judgments (Reciprocal Enforcement) (Australia) Order 1988, there may be circumstances in which the relevant legislation does not apply to certain judgments obtained in the courts of Australia, making such judgments difficult to enforce against Touchcorp.

(B) Tax residency of Touchcorp

As a Bermudian incorporated company, Touchcorp has been treated as a non-resident for Australian income tax purposes on the basis that the central management and control of Touchcorp has taken place outside Australia. This is an ongoing factual test. If the treatment of Touchcorp as a non-Australian tax resident has been incorrect, there is a risk that adverse income tax consequences could arise to the Australian group

(C) Decline in value of investment in Afterpay**(h) Current Afterpay business risks**

In addition, Touchcorp Shareholders will remain exposed to the following Afterpay business risks if the Touchcorp Scheme and the Merger do not proceed (due to Touchcorp's interest in Afterpay):

- loss of key retail merchant clients for various reasons like failing to meet contractual or commercial requirements, clients changing to competitor services, or termination for convenience of a contract by a client;
- exposure to bad debts due to end customers failing to meet their repayments for purchases, which is a major expense for Afterpay that may adversely impact Afterpay's profitability;
- requiring additional capital to support Afterpay's instalment payments receivables book and working capital; and
- exposure to operational risks arising from the daily functioning of Afterpay's business including in connection with legal and regulatory compliance, process error, fraud, system failure, failure of security and physical protection systems, improper business practices, human error and pricing risk. Any failure to manage operational risks may materially adversely impact Afterpay's reputation, business, operations and financial performance,

Further, Touchcorp will have incurred significant transaction costs in relation to the proposed Touchcorp Scheme even if it does not proceed. These costs may include paying a break fee of \$750,000 to Afterpay in certain circumstances, as set out in the Merger Implementation Agreement. See section 9.12 for further information on the break fee.

7. Afterpay Touch Group Risk Factors (continued)

7.2

Risks specific to the Merged Group

The following risk factors are relevant to one or both of Afterpay and Touchcorp as stand-alone businesses. Accordingly, they will continue to be relevant to the Merged Group if the Merger is implemented.

(a) Loss of key contracts and relationships

The Merged Group will depend on Afterpay and Touchcorp each continuing their contracts and relationships with their respective significant merchant clients and end customers. There can be no guarantee that these contracts and relationships will continue or, if they do continue, that these contracts and relationships will continue to be successful. For example, Afterpay's contracts with retail merchant clients can generally be terminated for convenience on relatively short notice by either party, and so Afterpay does not have long term contracted revenues. In respect of Touchcorp, in most instances, the agreements with Touchcorp's suppliers or merchants are contracted with a fixed end date. There is the risk that Touchcorp may be unable to secure contract renewals at that time for reasons including a failure to agree on the terms and conditions of the new contract or if the requirements of the new contract are not satisfied.

The Merged Group may lose merchant clients and end customers for a variety of reasons including a failure to meet key contractual or commercial requirements, or retail merchant clients shifting to in-house solutions or competitor service providers. The loss of a number of the Merged Group's key merchant clients and end customers may materially and adversely impact the Merged Group's revenue and profitability, and increase marketing expenses to sign up new merchant clients and end customers to replace those lost.

Depending on the reason for the loss of a key merchant client or end customer, it may also have a negative impact on the Merged Group's reputation with other merchant clients and with end customers. There is also a risk that new agreements formed with merchant clients and end customers in the future may be less favourable to the Merged Group including in relation to pricing and other key terms, due to unanticipated changes in the market in which the Merged Group operates.

(b) Exposure to Afterpay's end customer bad debts

A major part of the Merged Group's operations and earnings will depend on Afterpay's "buy now, receive now, pay later" service provided to end customers and Afterpay's ability to recoup the purchase value of products from end customers (see section 6.1 for further information on the Merged Group's operations). Afterpay's profitability in providing this service depends on its ability to put in place and optimise its systems and processes to make predominantly accurate, real time decisions in connection with the end customer transaction approval process. End customer non-payment is a major component of Afterpay's expenses at present, and Afterpay is currently exposed to end customer bad debts as a normal part of its operations. However, excessive exposure to bad debts through end customers failing to meet their repayments to Afterpay will materially and adversely impact Afterpay's profitability and accordingly, of the Merged Group.

Afterpay also has exposure, although much more limited, to the potential insolvency of a merchant client to which Afterpay has advanced funds. Exposure occurs in the period of time between the advance of funds to a merchant client for an end customer's purchase of goods and the merchant shipping the goods to the end customer (at which point Afterpay is entitled to payment from the end customer). This period is typically only a few days at most and so is unlikely to represent a material risk to Afterpay and accordingly, the Merged Group.

(c) Fluctuation in revenue and profitability generated by Touchcorp due to variability in completed transaction volumes

The Merged Group's revenue and profitability will be directly impacted by any fluctuations in the revenue and profitability of Touchcorp which will be one of the two operating Subsidiaries in the Merged Group. A significant amount of Touchcorp's revenue is generated on a 'per successful transaction fee' basis and consequently, the use of the Touch System by its merchants is critical to the ongoing profitability of Touchcorp.

Contracts are a pre-condition to, but do not guarantee, the volume of completed transactions. The number of end customers or the frequency with which those customers will use the Touch System is beyond the control of Touchcorp. Touchcorp's merchants' and suppliers' market positions may also deteriorate due to aggressive marketing by their competitors, which may reduce the volume of transactions executed by end customers accessing the Touch System. Touchcorp cannot predict with any certainty the number of end customers or the frequency with which those customers will use the Touch System. In the event that completed

transaction volumes are less than expected, this may materially adversely impact Touchcorp's revenue and profitability, and accordingly, of the Merged Group.

Furthermore, not all completed transactions are equally profitable due to differences in fees for different services provided by Touchcorp to its merchants and suppliers across Touchcorp's business units (see section 4.3 for information on Touchcorp's business units). Consequently, there is a risk that an increase in overall completed transaction volumes may not necessarily result in a corresponding proportional increase in Touchcorp's revenue or profitability, and accordingly, of the Merged Group.

(d) Afterpay's NAB Facility

Afterpay has financing arrangements with NAB under the NAB Facility to support Afterpay's funding of purchases by end customers. Following completion of the Merger, the Merged Group will assume the liabilities under the NAB Facility and will be exposed to the risks relevant to the NAB Facility through Afterpay's business.

As of April 2017, the NAB Facility limit is \$40 million following National Australia Bank's approval of a \$20 million increase to the facility on top of its initial commitment of \$20 million to Afterpay in December 2016. See section 5.6 for further information on the funding of Afterpay's business.

In the unlikely event of repayments not being made or certain terms and conditions not being satisfied under the NAB Facility, the National Australia Bank may terminate its obligation. In these circumstances, Afterpay's capacity to pay merchant clients in advance of collecting purchase price instalments from end customers may be diminished in the event that other banks are not able to step in and provide financing on equivalent terms. This may have the effect of possibly slowing down Afterpay's growth and having an adverse impact on the profitability of Afterpay, and accordingly of the Merged Group.

(e) Additional requirements for capital

As the Merged Group's businesses grow and new lines of business are developed, the Merged Group will require additional funding for working capital. In particular, given the nature of their business models, additional funding may be required in the future by Afterpay to support its instalment payments receivables book and by Touchcorp if it is required by merchants and suppliers to increase the level of capital and collateral amounts that Touchcorp maintains.

Although after completion of the Merger, the Merged Group will be generally well-funded through cash available from past equity issues and existing financing facilities contributed by both Afterpay and Touchcorp, there is a risk that the Merged Group may need to

seek additional debt or equity funding to increase the level of working capital to satisfy funding requirements.

There is no assurance that debt facilities will be obtained when required or obtained on reasonable terms and there is a risk that debt funding may not be available in sufficient amounts. Further, if the Merged Group elects to finance an expansion by way of additional debt facilities, such facilities would likely increase financing risks such as interest rate risk and refinancing risk.

If the Merged Group is unable to obtain additional debt funding, it may require additional equity funding to expand its business. The equity funding would be in the form of the issue of additional Afterpay Touch Group Shares which will dilute the interests of existing Afterpay Touch Group Shareholders including former Afterpay Shareholders and Touchcorp Shareholders. Dilution may occur if Afterpay Touch Group Shareholders are invited to subscribe for additional equity, which may be substantial. To the extent that Afterpay Touch Group Shareholders do not subscribe to such additional equity, or are otherwise not invited to subscribe, their holdings in Afterpay Touch Group may be diluted (relative to other shareholders).

Other ways that the Merged Group may address any need for additional funding include increasing prices, reducing or ceasing to pay dividends, delaying the onboarding of new merchants or the servicing of existing merchants and/or end customers, or by adjusting processes to limit the services provided.

However, these approaches would risk damage to the Merged Group's reputation as a reliable provider of payment and transaction services, which could in turn harm the long term prospects of the business.

(f) Loss of key management personnel

The Merged Group's ability to effectively execute growth strategies depends on the performance and expertise of its key management personnel. The proposed key management personnel of the Merged Group are a highly experienced team with a depth of experience in, and knowledge of, Afterpay's and Touchcorp's, and accordingly the Merged Group's businesses and the environment in which it will operate. The loss of key management personnel, or any delay in their replacement, may adversely affect the Merged Group's future financial performance.

(g) Failure to increase transaction volumes, merchant and end customer numbers or perform as intended following implementation of expansion strategies

The revenue and profitability of each of Afterpay and Touchcorp generally relies on increases in transaction volumes and increases in the number of their respective merchant and end customer bases.

7. Afterpay Touch Group Risk Factors (continued)

Afterpay's revenues are influenced by increases in transaction volumes undertaken by existing and new end customers. The number of end customers who use Afterpay's service is, in turn, influenced by the number of merchant clients who have integrated Afterpay as a payment method. Touchcorp depends primarily on enterprise clients for new business and typically experiences long deal cycles in new merchant client negotiations, meaning that Touchcorp is exposed to the risk that the signing of new merchant client contracts may be delayed or may not complete. Failure to increase these metrics that drive revenue and profitability in respect of either or both of Afterpay and Touchcorp may adversely impact the Merged Group's ability to improve its future revenue and profitability.

In addition, a failure to increase transaction volumes, or the number of merchant clients or end customers, may also adversely impact any economies of scale and synergies expected to occur for the Merged Group as it may diminish Afterpay's and Touchcorp's ability to capitalise on the other's business (for example, by seeking business opportunities and winning new contracts from the merchant clients and customers of the other's business).

The Merged Group's growth strategy may include the introduction of new services or technologies provided by each of Afterpay and/or Touchcorp, or the expansion into new geographical markets. There is a risk that new services or technologies may not be adopted, for example, by existing merchants (which would limit the Merged Group's ability to penetrate its existing merchant base), or by new merchants (which would adversely impact the Merged Group's ability to gain new sources of revenue). There is a risk that expansion initiatives undertaken by Afterpay and/or Touchcorp may result in additional costs and risks that may affect the Merged Group as a whole, or may not deliver the outcomes intended for the Merged Group.

(h) Competitors and new market entrants

The Merged Group is expected to be a market leader in Australia in providing payment and transaction services, however, a number of competitors currently offer services similar to the 'buy now, pay later' service that Afterpay offers to the Australian retail market (for example, zipMoney), and the transaction-processing technology solutions that Touchcorp offers (including other software solutions providers, payment terminal manufacturers and payment processing businesses).

Existing competitors as well as new competitors entering the industry, may engage in aggressive customer acquisition campaigns, develop superior technology offerings or consolidate with other entities to deliver enhanced scale benefits. Such competitive pressures may materially erode the Merged Group's

market share and revenue, and may materially and adversely impact the Merged Group's revenue and profitability.

A general increase in competition may also require the Merged Group to increase marketing expenditure or offer lower fees to merchant clients, which would decrease profitability even if the Merged Group's market share does not decrease.

(i) Failures or disruptions to technology systems and communication networks

Afterpay and Touchcorp depend on, and accordingly, the Merged Group will continue to depend on the constant performance, reliability and availability of its technology system and third-party communication networks. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside the control of the Merged Group, including damage, equipment faults, power failure, fire, natural disasters, computer viruses and external malicious interventions such as hacking or denial-of-service attacks. Events of that nature may cause part or all of the Merged Group's technology system and/or the communication networks used by the Merged Group to become unavailable. The Merged Group's operational processes and contingency plans may not adequately address every potential event. This may disrupt transaction flow and adversely impact the Merged Group's financial performance and reputation.

There is a risk that repeated failures to keep the Merged Group's technology (particularly, the Touch System) available may result in a decline in customer and merchant numbers or merchants cancelling their contracts with the Merged Group. This may materially and adversely impact the Merged Group's financial performance, including a reduction in revenue from completed transactions and an increase in the costs associated with servicing customers through the disruption, as well as negatively impacting the Merged Group's reputation.

(j) Employee recruitment risk and retention

The Merged Group's ability to effectively execute its growth strategy will depend upon the performance and expertise of its staff. The Merged Group will rely on experienced managerial and highly qualified technical staff to develop and operate new and existing technology platforms and services, and to direct operational staff to manage the operational, sales, compliance and other functions of its business.

There is a risk that the Merged Group may not be able to attract and retain key staff or be able to find effective replacements in a timely manner. The loss of staff, or any delay in their replacement, could impact the Merged Group's ability to operate its business and

achieve its growth strategies including through the development of new systems and technology.

There is a risk that the Merged Group may not be able to recruit suitably qualified and talented staff in a time frame that meets the growth objectives of the Merged Group. This may result in delays in the integration of new systems, development of technology and general business expansion, which may adversely impact the Merged Group's revenue and profitability.

There is also a risk that the Merged Group will be unable to retain existing staff, or recruit new staff, on terms of retention that are as attractive to the Merged Group as past agreements. This would adversely impact employment costs and profitability.

(k) Compliance with laws, regulations and industry compliance standards

The Merged Group will operate in a wide range of jurisdictions, and will be subject to a range of legal and industry compliance requirements that are constantly changing. This includes privacy laws, data protection laws and contractual conditions. Additional specific regulatory and compliance requirements that Touchcorp is currently subject to, which the Merged Group will adopt include the Australian Government's Health policies and guidelines as provided by Australian Signals Directorate (ASD) on information and communications technology (ICT) services in support of Australian security, the payment industry data security standards Payment Card Industry-Data Security Standards and contractual compliance conditions imposed on Touchcorp by its merchants and suppliers, as well as best-practice standards which Touchcorp has voluntarily adopted.

In respect of Afterpay, there is possibility that it may become subject to additional legal or regulatory requirements if Afterpay's business, operations, strategy or geographic reach expand in the future. This may potentially include credit licensing, financial services licensing, or other licensing or regulatory requirements or similar limitations on the conduct of business.

There is a risk that additional or changed legal, regulatory or licensing requirements, and industry compliance standards, may make it uneconomic for the Merged Group to continue to operate in the markets it currently does, or to expand in accordance with its strategy. This may materially and adversely impact the Merged Group's revenue and profitability, including by preventing its business from reaching sufficient scale.

There is also a risk that if the Merged Group fails to comply with these laws, regulations and industry compliance standards, this may result in significantly increased compliance costs, the loss of licences or denial of pending licences, increased complexities

involved in servicing merchants (to register or verify merchants, for example), cessation of certain business activities or the ability to conduct business in certain markets, forfeiture of assets, litigation or regulatory enquiry or investigation and significant reputational damage. All of these may have a materially adverse impact on the Merged Group's revenue and profitability.

(l) Exposure to potential security breaches and data protection issues

Through the ordinary course of business, the Merged Group will collect a wide range of confidential information. Cyber-attacks may compromise or breach technology platforms used by the Merged Group to protect confidential information.

There is a risk that the measures taken by the Merged Group may not be sufficient to detect or prevent unauthorised access to, or disclosure of, such confidential information. Any data security breaches or the Merged Group's failure to protect confidential information could result in the loss of information integrity, or breaches of the Merged Group's obligations under applicable laws or agreements, each of which may materially adversely impact the Merged Group's financial performance and reputation.

(m) Activities of fraudulent parties

The Merged Group may be exposed to risks imposed by fraudulent conduct, including risks stemming from the potential collusion between internal and external parties, and end customers attempting to circumvent the Merged Group's systems (for example, attempts to circumvent Afterpay's repayment capability assessments). There is a risk that the Merged Group may be unsuccessful in defeating fraud attempts, resulting in a higher than budgeted cost of fraud which may materially adversely impact the Merged Group's revenue and profitability.

The Merged Group will to some extent, accept the responsibility associated with minimising fraudulent activity and bear costs associated with such fraudulent activity as it is part of Afterpay's business to guarantee payment to merchant clients and part of Touchcorp's business to guarantee transaction integrity in certain circumstances. Fraudulent activity may result in the Merged Group suffering losses due to fraud, a materially adverse impact to the Merged Group's reputation and bearing certain costs to rectify and safeguard business operations and the Merged Group's systems against fraudulent activity.

(n) Protection and ownership of technology and intellectual property

The business of the Merged Group will depend on each of Afterpay's and Touchcorp's ability to commercially exploit its technology and intellectual property, including their technological systems and

7. Afterpay Touch Group Risk Factors (continued)

data processing algorithms. The Merged Group will rely on laws relating to trade secrets, copyright and trademarks to assist in protecting its proprietary rights. However, there is a risk that unauthorised use or copying of any of the Merged Group's software, data, specialised technology or platforms will occur. In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to the Merged Group's business may be successfully challenged by third parties. This could involve significant expense and potentially the inability to use the intellectual property in question, and if an alternative cost-effective solution were not available, it may materially adversely impact the Merged Group's financial position and performance. Such disputes may also temporarily adversely impact the Merged Group's ability to integrate new systems or develop new services which may adversely impact the Merged Group's revenue and profitability.

There is also a risk that the Merged Group will be unable to register or otherwise protect new intellectual property it develops in the future. A particular risk in this respect includes the ability of Touchcorp's merchant clients to exercise their stand-in rights in the event that Touchcorp fails to perform under the terms of a contract. In addition, competitors may be able to work around any of the intellectual property rights used by the Merged Group, or independently develop technologies or competing payment products or services that are not protected by the Merged Group's patents, patent applications or other intellectual property rights. The Merged Group's competitors may then be able to offer identical or very similar services or services that are otherwise competitive against those provided by the Merged Group, which could adversely affect the Merged Group's business.

(o) Ability of the Merged Group's technology to integrate various third party platforms

Both Afterpay and Touchcorp use and rely on integration with third party systems and platforms, particularly websites, point of sale systems and other merchant systems. The success of the Merged Group's services offered via Afterpay and Touchcorp, and the ability to attract additional end customers and merchant clients, will depend on the ability of the Merged Group's technology and systems to integrate into and operate with various third party systems and platforms. In addition, as these systems and platforms are regularly updated, it is possible that when such updates occur it could cause the Merged Group's services to not operate as efficiently as previously. This will require the Merged Group to change the way some of its systems operates which may take time and expense to remedy.

(p) The Merged Group's technology may be superseded by other technology or changes in business practice

The Merged Group will operate in a competitive environment. IT systems are continuing to develop and are subject to rapid change, while business practices continue to evolve. The Merged Group's success will in part depend on its ability to offer services and systems that remain current with the continuing changes in technology, evolving industry standards and changing consumer preferences. There is a risk that the Merged Group will not be successful in addressing these developments in a timely manner, or that expenses will be greater than expected. In addition, there is a risk that new products or technologies (or alternative systems) developed by third parties will supersede the Merged Group's technology. This may materially and adversely impact the Merged Group's revenue and profitability.

(q) Government regulation and legal requirements

Afterpay and Touchcorp are currently subject to, and the Merged Group will continue to be subject to, Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth) in relation to merchant clients. The Merged Group will also be subject to other laws and regulations applicable to business generally. There is a risk that a number of laws and regulations may be adopted with respect to the Merged Group's operations covering issues such as user privacy, pricing, the content and quality of products and services, intellectual property rights and information security which could limit the proposed scope of activities of the Merged Group.

(r) Capacity constraints

Continued increases in transaction volumes may require the Merged Group to expand and adapt its network infrastructure to avoid interruptions to Afterpay's systems, the Touch System, and the Merged Group's technology. Any unprecedented transaction volumes may cause interruptions to the Merged Group's systems and technology, reduce the number of completed transactions, increase expenses, and reduce the level of consumer service, and these factors may potentially adversely impact the Merged Group's financial performance.

If Touchcorp expands into new offshore markets it may be required to secure additional data centre capacity in those particular markets due to data security requirements and capacity constraints.

(s) The Merged Group may suffer reputational damage

Maintaining the strength of the Merged Group's reputation is important to retaining and increasing its end customer base and its merchant client base, maintaining its relationships with partner companies and other service providers and successfully

implementing the Merged Group's business strategy. There is a risk that unforeseen issues or events may adversely impact the Merged Group's reputation. This may adversely impact the future growth and profitability of the Merged Group.

The Merged Group's reputation is also closely linked to the provision of services to merchant clients and end customers. There is a risk that the Merged Group's actions and the actions of the Merged Group's suppliers and merchants may adversely impact the Merged Group's reputation. Specifically in relation to Touchcorp, the development and refinement of Touchcorp's services modules requires Touchcorp to work closely with existing and potential customers to listen to and understand their needs. There is a risk that Touchcorp may fail to maintain its current service culture by failing to listen to its customers and may not develop services modules that satisfy its customers' requirements. This may negatively impact Touchcorp's reputation and its customers' adoption of new service modules, and these negative impacts may flow on to the Merged Group.

Any factors that diminish the Merged Group's reputation could result in customers, consumers or other parties ceasing to do business with the Merged Group, impede Afterpay's and Touchcorp's ability to successfully provide each of their respective services, negatively affect the Merged Group's future business strategy and materially and adversely impact the Merged Group's financial position and performance.

(t) Banking and payment processing performance

Afterpay and Touchcorp rely on online payment gateways, banking and financial and other institutions (such as Medicare and private health insurers in respect of Touchcorp), and point of sale devices for the validation of payment methods (such as bank cards), processing and settlement of payments. Any failures or disruptions to such platforms and technology may impact the financial performance of the Merged Group.

(u) Exchange rate risk for Touchcorp's European and Asian operations

Touchcorp's financial reports are prepared in Australian dollars. However, revenue, expenditure and cashflows, and assets and liabilities from Touchcorp's European operations are denominated in Swiss francs, Swedish kronor, Norwegian kroner, Danish kroner and Euros. Touchcorp is, and to an extent the Merged Group will be, exposed to the risk of fluctuations in the Australian dollar against those currencies, and adverse fluctuations in exchange rates may negatively impact the translation of account balances and profitability from these offshore operations.

(v) Accounting Policy Risk

Touchcorp has particular accounting policies and methods which are fundamental to how it records and reports its financial position and results of operations. The Touchcorp Directors may have exercised judgement in selecting and applying certain accounting policies or methods which might have been reasonable under the circumstances yet might have resulted in reporting materially different outcomes than would have been reported under Afterpay's policies and methods. The integration of Touchcorp's accounting functions may lead to revisions of these accounting policies, which may adversely impact on the Merged Group's reported results of operations and/or financial position and performance.

In accordance with AAS, Afterpay Touch Group will need to assess the impairment of all assets at each reporting date by evaluating conditions specific to the Merged Group and to each particular asset. In the event that the value of an asset reduces, this is likely to be reflected as an impairment charge. Any future impairments may have an adverse impact on the reported financial performance of the Merged Group.

7.3

General risks

(a) Risks relating to share investment

There are various risks associated with investing in any form of business and with investing in listed entities generally. The value of Afterpay Touch Group Shares following implementation of the Merger will depend upon general share market and economic conditions as well as the specific performance of the Merged Group. There is no guarantee of profitability, dividends, return of capital, or the price at which Afterpay Touch Group Shares will trade on the ASX. The past performance of Afterpay Touch Group Shares is not necessarily an indication as to future performance as the trading price of shares can go down or up in value.

(b) Risks relating to the general economy and capital markets

The financial performance of the Merged Group and the value of Afterpay Touch Group Shares will fluctuate due to various factors including movements in the Australian and international capital markets, recommendations by brokers and analysts, interest rates, exchange rates, inflation, Australian and international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities and acts of terrorism, investor perceptions and other factors that may affect the Merged Group's financial position and earnings. In the future, these factors may affect the income and expenses of the

7. Afterpay Touch Group Risk Factors (continued)

Merged Group and may cause the price of Afterpay Touch Group Shares to fluctuate and trade below current prices.

(c) Exposure to adverse macroeconomic conditions

The Merged Group's business will depend on end customers transacting with retail merchants, which in turn can be affected by changes in general economic conditions. For example, the retail sector is affected by such macroeconomic conditions as unemployment, interest rates, consumer confidence, economic recessions, downturns or extended periods of uncertainty or volatility, all of which may influence customer spending and suppliers' and retailers' focus and investment in outsourcing payment and transaction processing solutions. This may subsequently impact the Merged Group's ability to generate revenue. Additionally in the case of Afterpay, in weaker economic environments, end customers may have less disposable income to spend and so may be less likely to purchase products by utilising Afterpay's services and bad debts might increase.

(d) Regulatory and tax

The Merged Group's businesses and earnings could be affected by the legal, regulatory, fiscal or other policies adopted by various regulatory authorities of the Australian government, Bermudian Government, other foreign governments and international agencies. Further, the nature and impact of future changes of such regulations and policies are not predictable and will be beyond the Merged Group's control. Changes in regulations or regulatory policy could adversely affect one or more of the Merged Group's businesses and could require substantial compliance costs. In addition, any significant changes in taxation law could have an adverse effect on the Merged Group's financial condition and financial performance.

(e) Legal proceedings and contingent liabilities

The Merged Group may be subject to litigation and other claims and disputes in the course of its business, including employment disputes, contractual disputes or occupational and personal claims. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could adversely affect the Merged Group's business, reputation, operating and financial performance.

(f) Acquisitions

The Merged Group's future strategy may involve the acquisition of additional businesses within the Merged Group's core business lines. Acquisition transactions involve inherent risks, including:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquired businesses;
- integration risks including the risk that integration could take longer or cost more than expected or that the anticipated benefits and synergies of the integration may be less than estimated;
- diversion of management attention from existing business;
- potential loss of key personnel and key clients;
- unanticipated changes in the industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of, and unanticipated costs, problems or liabilities associated with, the acquired business.

Any of these or other risks could cause the Merged Group not to realise the benefits anticipated to result from any acquisition of new business and could have a material adverse impact on its financial position.

**Tax implications of
the Touchcorp Scheme**



8. Tax implications of the Touchcorp Scheme



The Board of Directors
Touchcorp Limited
34 Bermudiana Road,
Hamilton HM11
Bermuda

Copy to:
Level 1,
61 Spring Street
Melbourne
Victoria 3000

26 April 2017

Dear Directors

Australian tax implications of the Touchcorp Scheme for Touchcorp Scheme Participants

We have been engaged by Touchcorp Limited (Touchcorp) to provide a general summary of the Australian tax implications for eligible shareholders in Touchcorp who participate in the scheme of arrangement (Touchcorp Scheme) involving the disposal of their Touchcorp Shares in exchange for Afterpay Touch Group Shares under the Merger (Touchcorp Scheme Participants).

This summary has been prepared for inclusion in the scheme booklet dated on or about 12 May 2017 to be issued by Touchcorp in respect of the Touchcorp Scheme (Scheme Booklet).

Scope

This summary is necessarily general in nature. Touchcorp Scheme Participants should obtain and rely upon their own independent taxation advice about the consequences of disposing of their Touchcorp Shares in exchange for Afterpay Touch Group Shares having regard to their own specific circumstances.

This summary is based on the Australian tax law in effect as at the date of the Scheme Booklet. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. It does not take into account the tax law of countries other than Australia. The precise implications of ownership or disposal of Touchcorp Shares or Afterpay Touch Group Shares will depend upon each Touchcorp Scheme Participant's specific circumstances.

The summary is applicable to Australian resident shareholders of Touchcorp who hold their Touchcorp Shares on capital account and not as trading stock or revenue assets. This summary does not address the tax consequences to shareholders who are subject to Division 230 of the Income Tax

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Assessment Act 1997 as regards their Touchcorp Shares nor to employees who are shareholders of Touchcorp.

Capitalised terms not otherwise defined in this letter have the meaning given to them in the Scheme Booklet.

Income tax

(a) Disposal of Touchcorp Shares

(i) Capital gains tax

If the Touchcorp Scheme is implemented, each Touchcorp Scheme Participant will be treated as having disposed of their Touchcorp Shares in exchange for Afterpay Touch Group Shares under Australia's capital gains tax (CGT) rules, with disposal occurring on the Implementation Date of the Touchcorp Scheme.

Accordingly, Touchcorp Scheme Participants that are Australian tax residents will:

- make a capital gain if the capital proceeds received for their Touchcorp Shares are greater than the cost base of their Touchcorp Shares (subject to the availability of CGT roll-over relief, discussed below); or
- make a capital loss if the capital proceeds received for their Touchcorp Shares are less than the reduced cost base of their Touchcorp Shares.

The capital proceeds for the disposal of Touchcorp Shares should generally be equal to the market value of the Afterpay Touch Group Shares received by the Touchcorp Scheme Participant, determined as at the Implementation Date.

The cost base (and reduced cost base) of the Touchcorp Shares should generally be the purchase price of the Touchcorp Shares (or the deemed cost of acquisition) plus certain incidental costs of acquisition and disposal of the Touchcorp Shares.

For Touchcorp Scheme Participants who acquired their Touchcorp Shares in consequence of the transfer of Touch Holdings Limited shares in exchange for the issue of Touchcorp Shares and claimed roll-over relief on that transaction (the Legacy Touchcorp Shareholders), the cost base (and reduced cost base) of the Touchcorp Shares should generally be the purchase price of the Touch Holdings Limited shares (or deemed cost of acquisition), including any incidental costs of acquisition, originally acquired by such Legacy Touchcorp Shareholders, together with certain incidental costs of acquisition and disposal of the Touchcorp Shares.

(ii) CGT roll-over relief

Touchcorp Scheme Participants who make a capital gain from the disposal of their Touchcorp Shares should be eligible to choose CGT roll-over relief. A class ruling application has been lodged with the Australian Taxation Office (ATO) on behalf of resident Touchcorp Scheme Participants in regard to the availability of roll-over relief. The income tax consequences described herein are consistent with the consequences described in the class ruling application. Touchcorp Scheme

8. Taxation implications (continued)



Participants will be informed of the outcome of the class ruling application on the Touchcorp website once a final class ruling is received.

The relative benefit of choosing to obtain CGT roll-over relief is dependent on each Touchcorp Scheme Participant's particular circumstances. Touchcorp Scheme Participants should obtain independent tax advice as to the most appropriate course of action.

(iii) Consequences if CGT roll-over relief is chosen

Should an eligible Touchcorp Scheme Participant choose to obtain CGT roll-over relief, the following treatment should apply.

Capital gain is disregarded

Any capital gain accrued in respect of the transfer of Touchcorp Shares in exchange for Afterpay Touch Group Shares is disregarded.

No formal election is required to be lodged in order to choose CGT roll-over relief. The choice will be evidenced by a Touchcorp Scheme Participant lodging their income tax return for the income year in which the Touchcorp Scheme occurs in a manner consistent with having chosen CGT roll-over relief to apply.

Cost base and reduced cost base of Afterpay Touch Group Shares

By choosing CGT roll-over relief, the first element of the cost base (or reduced cost base) of the Afterpay Touch Group Shares acquired is worked out by attributing to them, on a reasonable basis, the existing cost base of the Touchcorp Shares that were exchanged for the Afterpay Touch Group Shares.

Acquisition date of Afterpay Touch Group Shares

The acquisition date of the Afterpay Touch Group Shares for CGT discount purposes is taken to be the date when the Touchcorp Scheme Participant acquired the Touchcorp Shares that were exchanged for the relevant Afterpay Touch Group Shares.

For Legacy Touchcorp Shareholders, the acquisition date of the Afterpay Touch Group Shares for CGT discount purposes should be taken to be the date when the Legacy Touchcorp Shareholder acquired the original Touch Holdings Limited shares that were exchanged for the Touchcorp Shares in the earlier transaction, that in turn are exchanged for the relevant Afterpay Touch Group Shares.

This acquisition date will be relevant for the purposes of determining whether any entitlement to the CGT discount is available in respect of any future disposal of the Afterpay Touch Group Shares.

(iv) Consequences if CGT rollover relief is not chosen or is not available

If CGT roll-over relief is not chosen or does not apply in respect of the Touchcorp Scheme, the Touchcorp Scheme Participant may make a capital gain or capital loss on the disposal.



Capital gains of a Touchcorp Scheme Participant in an income year are aggregated and then reduced by capital losses made during the income year. Any capital gain remaining is then reduced by unused net capital losses of earlier income years (subject to satisfying certain conditions) to determine whether the Touchcorp Scheme Participant has a net capital gain for the income year. Subject to the application of a CGT discount, any net capital gain arising is included in the shareholder's assessable income for the income year.

If the Touchcorp Scheme Participant's capital losses for an income year exceed its capital gains, the excess will be a net capital loss. A net capital loss cannot be deducted against other income for income tax purposes but may be carried forward to offset capital gains derived in future income years (subject to certain conditions in the case of companies and trusts).

Discount CGT treatment

Australian resident Touchcorp Scheme Participants who are individuals, complying superannuation entities or trustees may be entitled to reduce the amount of any capital gain made on the disposal of their Touchcorp Shares if they have held their Touchcorp Shares for at least 12 months prior to the Implementation Date and certain other requirements have been met.

The discount rate is 50% for individuals and trustees, and 33^{1/3}% for complying superannuation entities. For capital gains distributed by a trust, the ultimate availability of the discount should depend on a beneficiary's entitlement to a discount. The CGT discount, if available, is applied to the net capital gain, after any available current year and prior year capital losses have been applied.

The CGT discount is not available to Touchcorp Scheme Participants that are companies.

(b) Holding and disposing of Afterpay Touch Group Shares

For Australian tax resident Afterpay Touch Group Shareholders, the holding of their Afterpay Touch Group Shares will generally involve Afterpay Touch Group Shareholders being taxable on:

- any dividends received from Afterpay Touch Group, although a tax offset for any franking credits attached to those dividends may be available; and
- any capital gain arising from a future disposal of Afterpay Touch Group Shares.

(i) Dividends from Afterpay Touch Group Shares

Any dividends received by Touchcorp Scheme Participants on their Afterpay Touch Group Shares will constitute assessable income in the income year in which the dividend is paid.

Individuals and complying superannuation entities

Australian tax resident Afterpay Touch Group Shareholders who are individuals or complying superannuation entities should include the dividend received on their Afterpay Touch Group Shares in their assessable income in the year in which the dividend is paid, together with any franking credit attached to that dividend provided the Afterpay Touch Group Shareholder is a "qualified person" (as defined below). The franking credit is generally available as an offset against the Afterpay Touch Group Shareholder's tax liability. If the tax offset is greater than the

8. Taxation implications (continued)



tax payable on the Afterpay Touch Group Shareholder's assessable income, the Afterpay Touch Group Shareholder should be entitled to a refund.

If a dividend is unfranked, an Afterpay Touch Group Shareholder should include in assessable income only the dividend received on their Afterpay Touch Group Shares in the year in which the dividend is paid. No franking credit is available as an offset against the shareholder's tax liability.

Corporate shareholders

Australian tax resident corporate Afterpay Touch Group Shareholders should include the dividend received in their assessable income and any attached franking credit provided the corporate Afterpay Touch Group Shareholder is a "qualified person" (as defined below). A tax offset is available up to the amount of the franking credit. Excess franking credits received do not give rise to a refund of tax to corporate shareholders, but they may be able to be converted into tax losses.

Australian tax resident corporate Afterpay Touch Group Shareholders should also be entitled to a credit in their own franking account (to the extent of the franking credit received on the Afterpay Touch Group dividend) and that in turn can be used to frank dividends paid by the corporate shareholder.

Unfranked dividends received by an Australian tax resident corporate Afterpay Touch Group Shareholder should be included in assessable income.

Trusts and partnerships

Afterpay Touch Group Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include any dividend received and the attached franking credit in determining the net income of the trust or partnership provided the Afterpay Touch Group Shareholder is a "qualified person" (as defined below). The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit in respect of the Afterpay Touch Group dividend received by the trust or partnership.

"Qualified person"

Broadly, to be a "qualified person", a shareholder must satisfy the holding period rule and, if necessary, the related payments rule.

The holding period rule generally requires an Afterpay Touch Group Shareholder to hold the shares "at risk" for more than 45 days continuously in the period from the day after the shareholder acquires the shares to the 45th day after the shares become ex-dividend. Shares will be "at risk" provided the shareholder is exposed to sufficient risks and benefits from the ownership of the shares.

The related payments rule applies where an Afterpay Touch Group Shareholder has made, or is under an obligation to make, a "related payment" in relation to a franked dividend. A related payment broadly involves the benefit of the dividend being passed on to another party. The related payments rule requires the Afterpay Touch Group Shareholder to have held the shares "at risk" continuously for 45 days in the period commencing on the 45th day before and ending on the 45th day after the shares become ex-dividend.



Afterpay Touch Group Shareholders should obtain their own tax advice to determine if these requirements have been satisfied in regard to any franked dividend paid on their shareholding.

Under an alternate test, an individual Afterpay Touch Group Shareholder will be a “qualified person” if their total claim for franking credit tax offsets on all franked dividends and distributions received in an income year is \$5,000 or less.

Tax File Number (“TFN”) and Australian Business Number (“ABN”)

Afterpay Touch Group Shareholders who do not quote their TFN or ABN to Afterpay Touch Group will automatically be subject to withholding tax at the highest marginal rate on any unfranked dividend paid to them by Afterpay Touch Group. The highest marginal tax rate (including the Medicare levy and the Temporary Budget Repair levy) is currently 49%.

The amount withheld by Afterpay Touch Group in these circumstances may be available as a credit against the Afterpay Touch Group Shareholder’s tax liability.

(ii) Disposing of Afterpay Touch Group Shares

On a future disposal, the Afterpay Touch Group Shareholders that are Australian tax residents will make a capital gain if the capital proceeds are greater than the cost base of their Afterpay Touch Group Shares, or a capital loss if the capital proceeds are less than the cost base of their Afterpay Touch Group Shares.

The capital proceeds for the disposal of Afterpay Touch Group Shares should generally be equal to the consideration received by the Afterpay Touch Group Shareholder on disposal.

If roll-over is chosen on disposal of the Touchcorp Shares, the cost base (and reduced cost base) of the Afterpay Touch Group Shares should be the existing cost base (or reduced cost base) of the Touchcorp Shares that are exchanged, including any incidental costs of acquisition of the Touchcorp Shares, together with certain incidental costs of acquisition and disposal of the Afterpay Touch Group Shares. If roll-over is not chosen, the cost base (and reduced cost base) of the Afterpay Touch Group Shares should be their market value on the Implementation Date together with certain incidental costs of acquisition and disposal of the Afterpay Touch Group Shares.

Any capital gain or capital loss will be treated in the manner described earlier in this letter. The CGT discount should be available for disposals at any time for individuals, superannuation funds and trustees who elect for roll-over relief provided they acquired their Touchcorp Shares more than 12 months prior to the Implementation Date. For other resident individuals, superannuation funds and trustees who do not elect for roll-over relief, the CGT discount should be available provided the Afterpay Touch Group Shares are held for more than 12 months after the Implementation Date.

Indirect taxes

(a) Stamp duty

Under current stamp duty legislation, no stamp duty would ordinarily be payable by Touchcorp Scheme Participants on the disposal of Touchcorp Shares or on the issue of shares by Afterpay

8. Taxation implications (continued)



Touch Group to the Touchcorp Scheme Participants, on the understanding that neither Touchcorp or Afterpay Holdings Limited are landholders in any Australian jurisdiction.

(b) Goods and Services Tax (GST)

Touchcorp Scheme Participants should not be liable for GST in respect of a disposal of Touchcorp Shares in exchange for Afterpay Touch Group Shares pursuant to the Merger.

Touchcorp Scheme Participants registered for GST may not be entitled to claim full input tax credits in respect of any GST paid on any costs incurred in connection with owning or disposing of their Touchcorp Shares. Separate GST advice should be sought by Touchcorp Scheme Participants in this respect.

Consent

PricewaterhouseCoopers has consented to the inclusion of this tax summary in the Scheme Booklet in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers is limited to the inclusion of this tax summary in the Scheme Booklet. PricewaterhouseCoopers makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Scheme Booklet.

Disclaimer

The information contained in this summary does not constitute "financial product advice" within the meaning of the Corporations Act. To the extent that this summary contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs, and consider obtaining independent financial advice.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Paul Abbey', with a horizontal line underneath.

Paul Abbey
Partner

Additional information



9. Additional information

This section sets out additional statutory information, as well as some additional information that may be of interest to Touchcorp Shareholders.

9.1

Substantial Touchcorp Shareholders

As at the close of trading on the date of this Scheme Booklet, the following persons had notified Touchcorp that they had voting power in 5% or more of Touchcorp Shares:

Name	Number of Touchcorp Shares in which they have voting power	% of Touchcorp Shares
Utilico Investments Limited	26,398,856	23.49
Estate of Mr Adrian Cleeve and associates	22,927,355	17.43
Ellerston Capital	7,851,521	5.97

Based on the information available as at the date of this Scheme Booklet, the following persons may hold voting power in 5% or more of Afterpay Touch Group Shares:

Name	Number of Afterpay Touch Group Shares – undiluted	Number of Afterpay Touch Group Shares held – fully diluted	% of total Afterpay Touch Group Shares – undiluted	% of total Afterpay Touch Group Shares – fully diluted
Anthony Eisen	25,000,000	26,500,000	11.6%	11.5%
Nicholas Molnar	25,000,000	26,500,000	11.6%	11.5%
Utilico Investments Ltd & ICM NZ Ltd	20,772,468	20,772,468	9.7%	9.0%
Cleeve Family Holdings (includes all holdings across ATC Capital Pty Ltd, Cleevecorp Pty Ltd and Adrian Cleeve)	14,673,507	14,673,507	6.8%	6.4%

Fully diluted basis means the number of Afterpay Touch Group Shares that would be on issue following completion of the Merger if all Afterpay employee option/performance rights were vested and exercised.

ASX has informed Afterpay that it will require those Afterpay Shareholders who are currently subject to escrow arrangements in respect of their Afterpay Shares (as set out above) to enter into escrow arrangements with Afterpay Touch Group in relation to any Afterpay Touch Group Shares they receive as Afterpay Scheme Consideration if they become Afterpay Scheme Shareholders.

9.2

Marketable securities held by or controlled by Touchcorp Directors

No marketable securities of Touchcorp are held or controlled by Touchcorp Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet other than as listed below, all of which are held beneficially:

Director	Class of securities	Number of securities
Duncan Saville (includes Associates)	Ordinary shares	30,894,481
Michael Jefferies (includes Associates)	Ordinary shares	6,364,416
Elana Rubin	Ordinary shares	33,698

Each Touchcorp Director intends to vote any Touchcorp Shares held by or on behalf of him or her in favour of the Touchcorp Scheme in the absence of a Superior Proposal.

No marketable securities of Afterpay are held or controlled by Touchcorp Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet other than as listed below, all of which are held beneficially:

Director	Class of securities	Number of securities
Duncan Saville (includes Associates)	Ordinary shares	1,000,000
Michael Jefferies (includes Associates)	Ordinary shares	250,000
	Options (exercisable at \$1.00, expiring December 2020)	200,000
Elana Rubin	Ordinary shares	25,000

Each of Duncan Saville, Michael Jefferies and Elana Rubin intend to vote the Afterpay Shares held by or on behalf of him or her in favour of the Afterpay Scheme in the absence of a superior proposal.

Except as stated in this section of the Scheme Booklet:

- there are no marketable securities of Touchcorp held by or on behalf of Touchcorp Directors as at the date of this Scheme Booklet;
- there are no marketable securities of Afterpay held by or on behalf of Touchcorp Directors as at the date of this Scheme Booklet;
- there are no marketable securities of Afterpay Touch Group held by or on behalf of Touchcorp Directors as at the date of this Scheme Booklet; and
- there has been no dealing by any Touchcorp Director in any marketable securities of Touchcorp,

Afterpay or Afterpay Touch Group in the four months preceding the date of this Scheme Booklet.

9.3

Afterpay Touch Group's interests in marketable securities of Touchcorp

No marketable securities of Touchcorp are held or controlled by Afterpay Touch Group and Afterpay Touch Group is not entitled to such securities as at the date of this Scheme Booklet.

No marketable securities of Touchcorp are controlled by or on behalf of any Afterpay Touch Group directors. As noted in section 9.2, Elana Rubin is a director of Afterpay Touch Group, and holds 33,698 shares in Touchcorp.

9.4

Benefits and agreements

(a) Benefits in connection with retirement from office

It is not proposed that any payment or other benefit be made or given to any director, secretary or executive officer of Touchcorp (or of its Related Bodies Corporate) as compensation for loss of, or as consideration for, or in connection with his or her retirement from, office in Touchcorp or in any of its Related Bodies Corporate as a result of the Touchcorp Scheme other than in his or her capacity as a Touchcorp Shareholder.

Touchcorp pays premiums in respect of a directors and officers insurance policy for the benefit of its Directors and executive officers.

(b) Agreements connected with or conditional on the Touchcorp Scheme

Except as set out below or otherwise disclosed in this section:

- no Touchcorp Director has any other interests in a contract entered into by Afterpay Touch Group;
- there are no contracts or arrangements between a director and any person, including Afterpay Touch Group in connection with or conditional on the outcome of the Touchcorp Scheme; and
- no Touchcorp Director has a material interest in relation to the Touchcorp Scheme other than in their capacity as a Touchcorp Shareholder or as an Afterpay Shareholder.

Afterpay Touch Group has agreed under the Merger Implementation Agreement to appoint Michael Jefferies and Elana Rubin to the Afterpay Touch Group Board if the Touchcorp Scheme and Merger are implemented, subject to them providing their consent.

Afterpay Touch Group has indemnified each Touchcorp Director from any claim, action, damage,

9. Additional information (continued)

loss, liability, cost, expense or payment which any Touchcorp Director may suffer, incur or be liable for arising out of any breach of any of the representations and warranties given by Afterpay Touch Group in clause 10.9 of the Merger Implementation Agreement.

9.5

Holders of Touchcorp Loan Shares

In accordance with the Plan, Touchcorp has granted Touchcorp Loan Shares to a number of its eligible employees. Each eligible employee who is a holder of Touchcorp Loan Shares will be treated in the same way as all other Touchcorp Shareholders for the purposes of the Touchcorp Scheme, and will be entitled to receive 0.64 Afterpay Touch Group Shares for each Touchcorp Loan Share which they hold as at the Record Date. In summary:

- (a) on implementation of the Touchcorp Scheme, relevant holders' Touchcorp Loan Shares will be released from any applicable holding locks;
- (b) relevant holders' participation in the Touchcorp Scheme will not trigger a requirement to re-pay their Acquisition Loans to Touchcorp. Instead, the holders' Acquisition Loans will continue on foot on substantially the same terms, with necessary amendments to reflect that the Acquisition Loans will become payable in relation to Afterpay Touch Group Shares in lieu of Touchcorp Loan Shares; and
- (c) following on from the relevant holders' participation in the Touchcorp Scheme, the holders will continue to participate in the Plan on substantially the same terms as those originally entered into with Touchcorp, with necessary amendments to reflect that the Plan will be operated by Afterpay Touch Group in lieu of Touchcorp.

Eligible employees should seek independent taxation advice regarding their Touchcorp Loan Shares and the implications of the Touchcorp Scheme on their Acquisition Loan.

9.6

Independent Expert

The Independent Expert has prepared the Independent Expert's Report set out in Annexure A of this Scheme Booklet advising as to whether, in its opinion, the Touchcorp Scheme is in the best interests of Touchcorp Shareholders.

The Independent Expert has concluded that the Touchcorp Scheme is fair and reasonable, and in the best interests of Touchcorp Shareholders in the absence of a Superior Proposal.

9.7

Consents

The following parties have given and have not withdrawn, before the date of this Scheme Booklet, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- King & Wood Mallesons as Australian legal adviser to Touchcorp;
- Taylors as Bermudian legal adviser to Touchcorp;
- RSM as Independent Expert;
- LEA as independent expert for Afterpay (and to all references in this Scheme Booklet to the LEA Report in the form and context in which they appear);
- Pricewaterhouse Coopers as tax advisor to Touchcorp with respect to the tax implications of the Touchcorp Scheme set out in section 8;
- Ernst & Young Transaction Advisory Services Limited as Investigating Accountant with respect to their Independent Limited Assurance Report set out in Annexure B;
- Ernst & Young as auditor of Touchcorp for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the provider of accounting due diligence services;
- Computershare as Touchcorp Share Registry, and Afterpay Touch Group Share Registry;
- Afterpay Touch Group; and
- Afterpay.

RSM has also given and has not withdrawn, before the date of this Scheme Booklet, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to the Independent Expert's Report in the form and context in which they appear.

Ernst & Young Transaction Advisory Services Limited has also given and has not withdrawn, before the date of this Scheme Booklet, its written consent to the inclusion of its Independent Limited Assurance Report

in this Scheme Booklet in the form and context in which it is included.

Afterpay Touch Group has also given and has not withdrawn, before the date of this Scheme Booklet, its written consent to the inclusion of the Afterpay Touch Group Information in the form and context in which it is included.

Afterpay has also given and has not withdrawn, before the date of this Scheme Booklet, its written consent to the inclusion of the Afterpay Information in the form and context in which it is included.

9.8 Disclaimers

None of the persons referred to in section 9.7 have authorised or caused the issue of this Scheme Booklet and do not make or purport to make any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

The information contained in this Scheme Booklet other than the Afterpay Information, Afterpay Touch Group Information, the Independent Expert's Report and the Independent Limited Assurance Report has been prepared by Touchcorp and is the responsibility of Touchcorp. None of Afterpay or Afterpay Touch Group, or their directors, officers or advisers assume any responsibility for the accuracy or completeness of the Touchcorp Information.

The Afterpay Information has been provided by Afterpay and is the responsibility of Afterpay. To the maximum extent permitted by law, Touchcorp does not assume responsibility for the accuracy or completeness of the Afterpay Information. To the maximum extent permitted by law, none of Touchcorp or Afterpay Touch Group, or their directors, officers or advisers assume any responsibility for the accuracy or completeness of the Afterpay Information.

The Afterpay Touch Group Information has been prepared by and is the responsibility of Afterpay Touch Group. To the maximum extent permitted by law, Touchcorp does not assume responsibility for the accuracy or completeness of the Afterpay Touch Group Information. To the maximum extent permitted by law, none of Touchcorp, Afterpay, or their directors, officers or advisers assume any responsibility for the accuracy or completeness of the Afterpay Touch Group Information.

The Independent Expert has prepared the Independent Expert's Report in relation to the Touchcorp Scheme contained in Annexure A and takes responsibility for that report. None of Touchcorp, Afterpay, Afterpay Touch Group or their respective directors, officers or advisers assume any

responsibility for the accuracy or completeness of the Independent Expert's Report.

Ernst & Young Transaction Advisory Services Limited has prepared the Independent Limited Assurance Report contained in Annexure B and takes responsibility for that report. None of Touchcorp, Afterpay, Afterpay Touch Group or their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Independent Limited Assurance Report.

To the maximum extent permitted by law, each person referred to in section 9.7 disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Scheme Booklet other than as described in this section with that person's consent.

9.9 Fees

Except for Afterpay Touch Group and Afterpay, each of the persons named in section 9.7 of this Scheme Booklet is performing a function in a professional, advisory or other capacity in connection with the Touchcorp Scheme and the preparation of this Scheme Booklet. Of the total one-off costs comprising the transaction, execution and implementation costs to give effect to the Touchcorp Scheme and the Merger, which are estimated to be approximately \$1.3 million and are described in section 1.3(b), it is estimated that:

- King & Wood Mallesons will be paid approximately \$530,000 (excluding GST) as Touchcorp's Australian legal adviser;
- Taylors will be paid approximately \$200,000 as Touchcorp's Bermudian legal adviser;
- RSM will be paid a total fee of approximately \$60,000 (excluding GST) for the preparation of its Independent Expert's Report;
- Pricewaterhouse Coopers will be paid a total fee of approximately \$220,000 (excluding GST) as Touchcorp's tax adviser with respect to the tax implications of the Touchcorp Scheme as set out in section 8;
- Ernst & Young Transaction Advisory Services Limited, as the Investigating Accountant, will be paid approximately \$20,000 (excluding GST). For further details of the fees paid, or payable, refer to the Financial Services Guide attached to the Independent Limited Assurance Report;
- Ernst & Young, who has undertaken accounting due diligence, will be paid approximately \$108,500 (excluding GST); and
- Computershare will be paid approximately \$38,000 (excluding GST) for its role as Touchcorp Share Registry.

9. Additional information (continued)

In addition, fees are payable to a range of other advisors in relation to the Touchcorp Scheme and the Merger, including relating to printing and design of the Scheme Booklet, as well as other transaction costs that are not advisory in nature.

9.10

Foreign jurisdictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Touchcorp disclaims all liabilities to such persons. Touchcorp Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the acquisition in any jurisdiction outside of Australia.

Hong Kong

WARNING - The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This document also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this document in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this document or any

advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this document may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this document, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Touchcorp Shareholders in connection with the Touchcorp Scheme, and no steps have been taken to register or seek authorisation for the issue of this document in Hong Kong.

This document is confidential to the person to whom it is addressed and no person to whom a copy of this document is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this document to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Touchcorp Scheme by the person to whom this document is addressed.

United Kingdom

Neither the information in this Scheme Booklet nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Afterpay Touch Group Shares.

Any invitation or inducement to engage in investment activity (within the meaning of s.21 FSMA) received in connection with the issue of the Afterpay Touch Group Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which s.21(1) FSMA does not apply to Touchcorp or Afterpay Touch Group. In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 43 of the FSMA (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as Relevant Persons).

The investments to which this Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with,

Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

United States

Touchcorp and Afterpay Touch Group intend to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by section 3(a)(10) thereof in connection with the consummation of the Touchcorp Scheme and the issuance of the Afterpay Touch Group Shares. Approval of the Touchcorp Scheme by the Court will be relied upon by Touchcorp and Afterpay Touch Group for purposes of qualifying for the section 3(a)(10) exemption.

US shareholders should note that the Touchcorp Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the Listing Rules of the Australian Securities Exchange. The Touchcorp Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

Any financial statements included in the Scheme Booklet have been prepared in accordance with AAS and may not be comparable to the financial statements of US companies. Australian corporations must comply with AAS, which contain Australian equivalents to International Financial Reporting Standards.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Afterpay is incorporated in Australia and its directors are residents of Australia. You may not be able to sue Afterpay or its directors in Australia for violations of the US securities laws. It may be difficult to compel Afterpay and its affiliates to subject themselves to a US court's judgment.

The Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Touchcorp Scheme or the accuracy, adequacy or completeness of the Scheme Booklet. Any representation to the contrary is a criminal offence.

The Afterpay Touch Group Shares to be issued pursuant to the Touchcorp Scheme have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. The Touchcorp Scheme is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

Singapore

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the Afterpay Touch Group Shares have not been and will not be registered as a prospectus with

the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (the "SFA") will not apply.

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the Afterpay Touch Group Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the Afterpay Touch Group Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this document may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Touchcorp nor Afterpay Touch Group is in the business of dealing in securities or hold itself out or purport to hold itself out to be doing so. As such, Touchcorp and Afterpay Touch Group are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

Switzerland

The Afterpay Touch Group Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This Scheme Booklet has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for

9. Additional information

(continued)

listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering or marketing material relating to the Afterpay Touch Group Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Scheme Booklet nor any other offering or marketing material relating to the Afterpay Touch Group Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Scheme Booklet will not be filed with, and the offer of Afterpay Touch Group Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

This Scheme Booklet is personal to the recipient only and not for general circulation in Switzerland.

Croatia

The information in this Scheme Booklet has been prepared on the basis that all offers of Afterpay Touch Group Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Croatia and the Netherlands, from the requirement to produce a prospectus for offers of securities.

An offer to the public of Afterpay Touch Group Shares has not been made, and may not be made, in Croatia or the Netherlands except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Croatia and the Netherlands:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Afterpay Touch Group Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

The Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") has not reviewed nor approved this Scheme Booklet.



Japan

The Afterpay Touch Group Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to small number investors. This Scheme Booklet is for the exclusive use of Touchcorp shareholders in connection with the Offer. This Scheme Booklet is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) to any other person in Japan or resident of Japan or use for any purpose in Japan or for resident of Japan other than in connection with Touchcorp shareholders' consideration of the Offer.

Netherlands

The information in this Scheme Booklet has been prepared on the basis that all offers of Afterpay Touch Group Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Croatia and the Netherlands, from the requirement to produce a prospectus for offers of securities.

An offer to the public of Afterpay Touch Group Shares has not been made, and may not be made, in Croatia or the Netherlands except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Croatia and the Netherlands:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");

- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Afterpay Touch Group Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

The Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, the “AFM”) has not reviewed nor approved Scheme Booklet.



9.11

ASIC relief

ASIC has granted the following relief to Touchcorp:

- Parts 6D.2 and 6D.3 of the Corporations Act – relief from the requirement to prepare a prospectus in relation to the Afterpay Touch Group Shares issued under the Touchcorp Scheme;
- Section 707 of the Corporations Act – relief from the resale provisions for Afterpay Touch Group Shares issued under the Touchcorp Scheme;
- Section 911A of the Corporations Act – relief from any requirement for Touchcorp and Afterpay Touch Group to hold an Australian financial services licence for the purpose of providing information in this Scheme Booklet; and
- Division 5A of Part 7.9 of the Corporations Act – relief from the provisions relating to unsolicited offers in respect of the offer by Afterpay Touch Group under the Touchcorp Scheme to acquire all of the Touchcorp Shares.

9.12

Key terms of the Merger Implementation Agreement

Touchcorp, Afterpay and Afterpay Touch Group entered into the Merger Implementation Agreement as announced on 30 March 2017. A copy of the full Merger Implementation Agreement is available on the ASX website at www.asx.com.au, and on Touchcorp's website at www.touchcorp.com.

The Merger Implementation Agreement sets out the rights and obligations of Touchcorp, Afterpay and Afterpay Touch Group in connection with the Touchcorp Scheme, Afterpay Scheme and the Merger.

Key terms of the Merger Implementation Agreement are summarised below.

(a) Conditions Precedent

The Touchcorp Scheme and the Merger are subject to the following conditions:

- (i) **(Orders convening Touchcorp Scheme Meeting)** the Bermudian Court orders the convening of the Touchcorp Scheme Meeting under the Companies Act;
- (ii) **(Touchcorp Shareholder approval)** the Touchcorp Scheme is approved by Touchcorp Shareholders at the Touchcorp Scheme Meeting by the Requisite Majority required under the Companies Act;
- (iii) **(Bermudian Court approval)** the Touchcorp Scheme is sanctioned by the Bermudian Court in accordance with the Companies Act either unconditionally or on conditions that do not impose unduly onerous obligations upon any party to the Merger Implementation Agreement (acting reasonably and with prior written consent from Afterpay);
- (iv) **(Order lodged with Bermuda Registrar of Companies)** an office copy of the Bermudian Court order approving the Touchcorp Scheme is lodged with the Bermuda Registrar of Companies as contemplated by the Companies Act;
- (v) **(Afterpay Scheme)** the:
 - (A) Afterpay Scheme is approved by the Australian Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon any party to the Merger Implementation Agreement (acting reasonably and with prior written consent from Touchcorp); and
 - (B) the Australian Court order approving the Afterpay Scheme is lodged with ASIC;
- (vi) **(Regulatory approvals)** before 8.00am on the Second Bermudian Court Date, all regulatory approvals required to implement the Touchcorp Scheme are granted or obtained (including the Bermuda Registrar of Companies and ASX having issued or provided such consents, waivers or approvals as are necessary or which the parties to the Merger Implementation Agreement agree are reasonably necessary or desirable to implement the Touchcorp Scheme), either unconditionally or on conditions that do not impose unduly onerous obligations on any parties to the Merger Implementation Agreement (acting reasonably), and those regulatory approvals have not been withdrawn, cancelled or revoked before 8.00am on the Second Bermudian Court Date;
- (vii) **(Restraints)** no law, statute, ordinance, regulation, rule, temporary restraining order, preliminary or

9. Additional information (continued)

permanent injunction or other judgment, order or decree issued by any court of competent jurisdiction or governmental agency or other legal restraint or prohibition preventing or materially restricting the Touchcorp Scheme is in effect at 8.00am on the Second Bermudian Court Date;

- (viii) **(Touchcorp Employee Rights)** the holders of all Touchcorp Employee Rights on issue as at the date of the Merger Implementation Agreement agree to vary the terms of their Touchcorp Employee Rights such that the loan, security and related terms of their Touchcorp Employee Rights with respect to Touchcorp Shares are substituted so that those terms apply in relation to Afterpay Touch Group Shares (and on the basis that any Touchcorp Shares to which the Touchcorp Employee Rights relate form part of the Touchcorp Scheme);
- (ix) **(Afterpay Touch Group listing approval)** ASX approves Afterpay Touch Group to be admitted to the official list of ASX, and official quotation of the Afterpay Touch Group Shares forming the Touchcorp Scheme Consideration and the Afterpay Scheme Consideration, subject only to implementation of the Touchcorp Scheme and the Afterpay Scheme and other customary conditions which are acceptable to the parties to the Merger Implementation Agreement (acting reasonably), before 8.00am on the Second Bermudian Court Date;
- (x) **(Afterpay Touch Group Warranties)** the Afterpay Touch Group Warranties being true and correct in all material respects on the date of the Merger Implementation Agreement and at 8.00am on the Second Bermudian Court Date;
- (xi) **(No Afterpay Prescribed Occurrence)** no Afterpay Prescribed Occurrence occurs between the date of the Merger Implementation Agreement and 8.00am on the Second Bermudian Court Date;
- (xii) **(No Afterpay Material Adverse Change)** there is no Afterpay Material Adverse Change between the date of the Merger Implementation Agreement and 8.00am on the Second Bermudian Court Date;
- (xiii) **(Afterpay Warranties)** the Afterpay Warranties being true and correct in all material respects on the date of the Merger Implementation Agreement and at 8.00am on the Second Bermudian Court Date; and
- (xiv) **(Independent Expert's Report)** the Independent Expert provides the Independent Expert's Report to Touchcorp, stating that in its opinion the Touchcorp Scheme is fair and reasonable and in the best interests of Touchcorp Shareholders, and the Independent Expert does not change or publicly withdraw this conclusion before 8.00am on the Second Bermudian Court Date.

Under the Touchcorp Scheme of Arrangement in Annexure C, the Touchcorp Scheme is also conditional on:

- (i) **(No termination)** as at 8.00am on the Second Bermudian Court Date, neither the Merger Implementation Agreement nor the Touchcorp Deed Poll having been terminated in accordance with their terms; and
- (ii) **(Bermudian Court conditions)** any conditions made or required by the Bermudian Court under the Companies Act in relation to the Touchcorp Scheme, and which are acceptable to Touchcorp and Afterpay, having been satisfied.

As at the date of this Scheme Booklet, no conditions to the Touchcorp Scheme have been satisfied.

The Touchcorp Scheme and Afterpay Scheme are inter-conditional:

- (i) if the Bermudian Court sanctions the Touchcorp Scheme, Touchcorp will deliver an office copy of the Bermudian Court order sanctioning the Touchcorp Scheme to the Bermuda Registrar of Companies for registration. The date on which this occurs will be the Effective Date for the Touchcorp Scheme (but it will only be deemed to have occurred once the Afterpay Scheme becomes Effective).
- (ii) if Afterpay Scheme Shareholders approve the Scheme, and all conditions to the Afterpay Scheme (other than Australian Court approval and lodgement of the Australian Court orders with ASIC) have been satisfied or waived, Afterpay will apply to the Australian Court for approval of the Afterpay Scheme; and
- (iii) if the Australian Court approves the Afterpay Scheme, Afterpay will lodge with ASIC a copy of the Australian Court orders approving the Afterpay Scheme. The date on which this occurs will be the Effective Date for the Afterpay Scheme.

The Afterpay Scheme is subject to conditions substantially similar to the Touchcorp Scheme as set out above, including conditions relating to shareholder and regulatory approvals, employee rights, listing of Afterpay Touch Group, prescribed occurrences in respect of Touchcorp, warranties, and Afterpay's independent expert's report except in respect of the following conditions:

- it is a condition to the Afterpay Scheme that there is no Touchcorp Material Adverse Change between the date of the Merger Implementation Agreement and 8.00am on the Second Australian Court Date; and
- it is a condition to the Afterpay Scheme that an escrow agreement in respect of Afterpay Touch Group Shares in standard form has been duly executed by each of the Afterpay Scheme

Shareholders who are currently subject to such an agreement in relation to their Afterpay Shares.

Under the Merger Implementation Agreement, the Afterpay Scheme was also conditional on Afterpay Shareholder approval of the issue of Afterpay Touch Group Shares under the Afterpay Touch Group Employee Incentive Plan. This issue is not proceeding at this time and accordingly the condition has now been waived by Touchcorp and Afterpay, and is therefore no longer required.

Where relevant, any materiality thresholds specified in the conditions to the Touchcorp Scheme are the same as the materiality thresholds in the equivalent conditions to the Afterpay Scheme.

(b) Exclusivity

Touchcorp has agreed to the following exclusivity provisions in the Merger Implementation Agreement.

- (i) **(No-shop):** Touchcorp must not directly or indirectly solicit, invite, initiate or encourage any competing proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a competing proposal, or communicate any intention to do any of these things.

- (ii) **(No-talk and no due diligence):** Touchcorp must not, directly or indirectly:

- (A) negotiate or enter into or participate in negotiations or discussions with any person in relation to (or which may reasonably be expected to lead to) a competing proposal;
- (B) facilitate or permit any person to undertake due diligence investigations or receive any non-public information in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a competing proposal; or
- (C) communicate any intention to do any of these things,

even if that person's competing proposal (whether actual or potential) was not directly or indirectly solicited, encouraged or initiated by Touchcorp, or that person has publicly announced the competing proposal.

This no-talk and no due diligence provision is subject to the 'fiduciary out' set out in section 9.12(v) below.

- (iii) **(Notification of approaches):** Touchcorp must promptly notify the other parties to the Merger Implementation Agreement of:

- (A) any approach, inquiry or proposal made by any person to Touchcorp to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a competing proposal; and

- (B) any request made by any person to Touchcorp for any information relating to Touchcorp or any of its businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a competing proposal.

Subject to the 'fiduciary out' set out in section 9.12(v) below, the notification of approaches must be accompanied by all material details of the relevant event, including (as applicable):

- (C) the identity of the person who made the relevant approach, inquiry or proposal to initiate discussions or negotiations referred to in section 9.12(iii)(A), above or who made the relevant request for information referred to in section 9.12(iii)(B) above; and
- (D) the material terms and conditions (including price, conditions precedent, timetable and break fee (if any)) of any competing proposal whether actual or potential (to the extent known).

Touchcorp must promptly provide the other parties to the Merger Implementation Agreement with any material non-public information relating to Touchcorp made available or received by any person in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a competing proposal and which has not previously been provided to the other parties.

- (iv) **(Right to match):** If Touchcorp receives a competing proposal, it must not enter into any agreement, arrangement or understanding in relation to the competing proposal, announce the competing proposal publicly or terminate the Merger Implementation Agreement in accordance with its terms, as a result of the competing proposal unless:

- (A) it gives the other parties to the Merger Implementation Agreement a proposal notice in relation to the competing proposal; and
- (B) a period of 3 Business Days has elapsed from the date on which the proposal notice is given.

Despite the requirement in this section 9.12(iv), to the extent required to discharge what they have determined in good faith to be their fiduciary or statutory obligations, the Touchcorp Board may release a public announcement acknowledging the receipt of a competing proposal and:

- (C) recommending that Touchcorp Shareholders take no action in relation to the competing proposal; and
- (D) reserving the Touchcorp Board's position in relation to its recommendation of the Touchcorp Scheme,

9. Additional information

(continued)

provided that any such announcement does not disclose the person from whom the competing proposal has been received nor any of the material terms of the competing proposal, including the price.

If Touchcorp gives a proposal notice, Afterpay has the right, but not the obligation, at any time until the expiration of 3 Business Days following receipt of the proposal notice to:

- (E) offer to amend the terms of either or both of the Touchcorp Scheme; or
- (F) to propose any other transaction,

which offer or proposal must be submitted to Touchcorp in writing, being a counter-proposal. If a counter-proposal is submitted, the Touchcorp Board must review the counter-proposal in good faith to determine whether the counter-proposal is more favourable to Touchcorp Shareholders than the relevant competing proposal taking into account all terms and conditions of both proposals.

If the Touchcorp Board determines, in good faith and after having obtained advice from its legal and financial advisers, that a counter-proposal is more favourable to Touchcorp Shareholders than the relevant competing proposal then:

- (G) if the counter-proposal contemplates an amendment to the Touchcorp Scheme (and if relevant, the Afterpay Scheme), the parties to the Merger Implementation Agreement must amend the agreement and all other necessary documents to reflect the counter-proposal;
- (H) if the counter-proposal contemplates any other transaction, Touchcorp must make an announcement as soon as reasonably practicable recommending the counter-proposal, in the absence of a Superior Proposal, and the parties to the Merger Implementation Agreement must pursue implementation of the counter-proposal in good faith; and
- (I) Touchcorp must not take any of the steps referred to in the first paragraph of this section 9.12(iv).

- (v) **Fiduciary out:** Where specified, the relevant exclusivity provisions in sections 9.12(ii), 9.12(iii)(C) and 9.12(iii)(D) do not apply to restrict Touchcorp or any Touchcorp Director from taking or refusing to take any action with respect to a competing proposal provided that:

- (A) the competing proposal is bona fide and is made by or on behalf of a person that the Touchcorp Board considers is of reputable commercial standing;

- (B) the Touchcorp Board has determined in good faith after consultation with its financial advisers (if any), that the competing proposal is or may reasonably be expected to lead to a Superior Proposal; and
- (C) the Touchcorp Board has determined in good faith after receiving written advice from its external legal adviser practising in the area of corporate law, that failing to take the action or refuse to take the action (as the case may be) with respect to the competing proposal would be likely to constitute a breach of the fiduciary or statutory obligations of the Touchcorp Board.

These exclusivity provisions have been mutually agreed to by Afterpay and are also binding on Afterpay.

(c) Break fee

Touchcorp has agreed to pay Afterpay a break fee of \$750,000 if at any time on or after the date of the Merger Implementation Agreement and before 30 September 2017, any of the following events occur:

- (i) at least a majority of Touchcorp Directors fail to recommend the Touchcorp Scheme;
- (ii) at least a majority of the Touchcorp Directors change or withdraw their recommendation of the Touchcorp Scheme or make any public statement, or take any other action that is inconsistent with their recommendation of the Touchcorp Scheme (including where a competing proposal is recommended by a majority of the Touchcorp Directors), except if the Independent Expert concludes that the Touchcorp Scheme is not in the best interests of Touchcorp Shareholders or concludes that the Touchcorp Scheme is in the best interests of Touchcorp Shareholders but changes this conclusion (provided that the change in conclusion is not due to a competing proposal);
- (iii) a competing proposal is announced before 30 September 2017 and, within 6 months of that competing proposal being announced, the competing proposal results in a person or persons (other than Afterpay Touch Group) obtaining control of Touchcorp, obtaining voting power in more than 50% of the Touchcorp Shares, merging or amalgamating with Touchcorp or acquiring (directly or indirectly) an interest in all or a substantial part of the business or assets of the Touchcorp Group;
- (iv) a condition to the Touchcorp Scheme (other than the conditions relating to Afterpay Prescribed Occurrences, Afterpay Material Adverse Changes and Afterpay Warranties) is not satisfied due to an action (or failure to act) of Touchcorp in breach of Touchcorp's obligations under the Merger Implementation Agreement; or
- (v) Afterpay terminates the Merger Implementation Agreement because Touchcorp is in material

breach of any of its obligations under the Merger Implementation Agreement (other than a breach of a representation or warranty) and Touchcorp has not remedied the breach within 5 Business Days of Afterpay notifying Touchcorp of the breach.

Afterpay has agreed to pay Touchcorp a break fee of \$750,000 if any of the events set out in this section 9.12(c) occur to the same extent in respect of Afterpay after the date of the Merger Implementation Agreement and before 30 September 2017.

If any break fee becomes payable by Touchcorp or Afterpay to the other party, it is the sole and exclusive remedy under the Merger Implementation Agreement and the other party may not make any other claim for any loss that may arise under the Merger Implementation Agreement.

(d) Termination

Touchcorp or Afterpay may terminate the Merger Implementation Agreement by notice to the other if:

- (i) the other party is in material breach of any of its obligations under the agreement (other than a material breach of a representation or warranty) and the party in breach has not remedied the breach within 5 Business Days of being notified of the breach; or
- (ii) Afterpay Touch Group is in material breach of any of its obligations under the agreement (including a material breach of a representation or warranty) and if capable of remedy, Afterpay Touch Group has not remedied the breach within 5 Business Days of being notified of the breach.

Touchcorp may terminate the Merger Implementation Agreement by notice to Afterpay, if:

- (i) at least a majority of Touchcorp Directors publicly recommend a Superior Proposal (after having undertaken the 'right to match' procedure set out in section 9.12(iv) above) and do not reinstate their recommendation of the Touchcorp Scheme within 3 Business Days; or
- (ii) Afterpay materially breaches any of the Afterpay Warranties and it fails to remedy that breach within 5 Business Days of being notified of the breach by Touchcorp, and either:
 - (A) the breach was of a kind that would have resulted in Touchcorp either not entering into the Merger Implementation Agreement or entering into it on materially different terms, if the breach had been disclosed to Touchcorp prior to entering into the agreement; or
 - (B) the breach amounts to, results in, or discloses anything, that could reasonably be expected to amount to an Afterpay Material Adverse Change; or

(iii) a majority of Afterpay Directors (excluding Michael Jefferies):

- (A) fail to recommend the Afterpay Scheme in accordance with the Merger Implementation Agreement; or
 - (B) change or withdraw their recommendation of the Afterpay Scheme or make any public statement, or take any other action that is inconsistent with their recommendation of the Afterpay Scheme (including where a competing proposal is recommended by a majority of the Afterpay Directors), and do not reinstate their recommendation of the Afterpay Scheme within 3 Business Days.
- (e) Afterpay may terminate the Merger Implementation Agreement by notice to Touchcorp if any of the events set out in this section 9.12(d) occur to the same or equivalent extent in respect of Touchcorp.

9. Additional information (continued)

9.13

Regulatory

All regulatory approvals that are Conditions Precedent to the Touchcorp Scheme are set out in clause 3 of the Merger Implementation Agreement.

9.14

Touchcorp Deed Poll

Afterpay Touch Group has entered into the Touchcorp Deed Poll in favour of the Touchcorp Scheme Participants under which Afterpay Touch Group has undertaken to issue Afterpay Touch Group Shares to Touchcorp Scheme Participants (or to the Sale Nominee, on their behalf, where the Touchcorp Scheme Participant is an Ineligible Foreign Shareholder) if the Touchcorp Scheme becomes Effective.

The Touchcorp Deed Poll may be relied upon by any Touchcorp Scheme Participant despite the fact that they are not a party to it and each Touchcorp Scheme Participant appoints Touchcorp as its agent to enforce their rights under the Touchcorp Deed Poll against Afterpay Touch Group.

9.15

Other information material to the making of a decision in relation to the Touchcorp Scheme

Except as set out in this Scheme Booklet, so far as your Directors are aware, there is no other information material to the making of a decision in relation to the Touchcorp Scheme, being information that is within the knowledge of any Director or any director of a Related Body Corporate of Touchcorp which has not previously been disclosed to Touchcorp Shareholders.

9.16

Supplementary information

Touchcorp will issue a supplementary document to this Scheme Booklet if it becomes aware, between the date of this Scheme Booklet and the Effective Date:

- (a) that a material statement in this Scheme Booklet is false or misleading in a material respect;
- (b) that there is a material omission from this Scheme Booklet;
- (c) of a significant change affecting a matter included in this Scheme Booklet has occurred; or
- (d) of a significant new matter that has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

Glossary

10

10. Glossary

The following is a glossary of certain terms used in this Scheme Booklet.

AAS	Australian Accounting Standards.
Acquisition Loan	a loan made by Touchcorp (or a Related Body Corporate of Touchcorp) for the purpose of an eligible employee of Touchcorp acquiring a Touchcorp Share (or a fully paid ordinary share in the capital of a Related Body Corporate of Touchcorp) under the Plan.
Afterpay	Afterpay Holdings Limited (ACN 606 589 520) and, where appropriate, its Subsidiaries.
Afterpay Board	the board of directors of Afterpay.
Afterpay Deed Poll	the deed poll executed by Afterpay Touch Group under which Afterpay Touch Group covenants to carry out its obligations under the Afterpay Scheme.
Afterpay Directors	the directors of Afterpay.
Afterpay Employee Plans	the Afterpay Employee Option Plan adopted on 29 October 2015 by Afterpay Holdings Pty Ltd, and the Afterpay Employee Incentive Plan adopted by Afterpay on listing on ASX.
Afterpay Employee Right	an option or performance right issued under an Afterpay Employee Plan, or an Afterpay loan share.
Afterpay Group	Afterpay and its Subsidiaries.
Afterpay Information	the information contained in section 5 of this Scheme Booklet.
Afterpay Material Adverse Change	has the meaning given in the Merger Implementation Agreement.
Afterpay Prescribed Occurrence	has the meaning given in the Merger Implementation Agreement.
Afterpay Register	the register of shareholders maintained by Afterpay in accordance with the Corporations Act.
Afterpay Scheme	the scheme of arrangement between Afterpay and the Afterpay Scheme Participants as described in clause 4 of the Merger Implementation Agreement.
Afterpay Scheme Consideration	the consideration payable to Afterpay Scheme Participants (other than Ineligible Foreign Shareholders) under the Afterpay Scheme, being 1 new Afterpay Touch Group Share for each Afterpay Share held by an Afterpay Scheme Participant.
Afterpay Scheme Meeting	a meeting of Afterpay Scheme Shareholders to be convened by the Australian Court pursuant to the Afterpay Scheme.
Afterpay Scheme Participants	each person registered in the Afterpay Register as the holder of a Afterpay Share as at the Record Date other than the Excluded Shareholder.
Afterpay Scheme Shareholders	Afterpay Shareholders other than the Excluded Shareholder.
Afterpay Share	a fully paid ordinary share in Afterpay.
Afterpay Share Registry	Computershare.
Afterpay Shareholders	each person who is registered in the Afterpay Register from time to time as the holder of an Afterpay Share.
Afterpay System	the electronic transaction processing system developed by Touchcorp for Afterpay in accordance with the SDLA.
Afterpay Touch Group	Afterpay Touch Group Limited (ACN 618 280 649).
Afterpay Touch Group Board	the board of directors of Afterpay Touch Group.
Afterpay Touch Group Employee Incentive Plan	the incentive plan of that name described in section 6.6.
Afterpay Touch Group Employee Right	any right to be issued or transferred a Afterpay Touch Group Share, granted under the Afterpay Touch Group Employee Incentive Plan.
Afterpay Touch Group Information	the information regarding Afterpay Touch Group contained in sections 6, 7.2 and 7.3 of this Scheme Booklet.

Afterpay Touch Group Register	the register of shareholders maintained by Afterpay Touch Group in accordance with the Corporations Act.
Afterpay Touch Group Employee Right	any right to be issued or transferred an Afterpay Touch Group Share granted under the Afterpay Touch Group Employee Incentive Plan.
Afterpay Touch Group Share	a fully paid ordinary share in Afterpay Touch Group.
Afterpay Touch Group's Share Registry	Computershare.
Afterpay Touch Group Shareholder	each person who is registered in the Afterpay Touch Group Register from time to time as the holder of an Afterpay Touch Group Share.
Afterpay Touch Group Warranties	has the meaning given to "NewCo Warranties" in the Merger Implementation Agreement.
Afterpay Warranties	has the meaning given in the Merger Implementation Agreement.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691), or the securities market which it operates, as the context requires.
ASX Recommendations	the ASX Corporate Governance Council's Revised Principles and Recommendations.
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532).
ASX Settlement Operating Rules	the operating rules of ASX.
Australian Court	the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.
Bermudian Court	the Supreme Court of Bermuda.
Business Day	a weekday on which trading banks are open for business in Melbourne, Australia.
CHESS	the clearing house electronic sub-register system of share transfers operated by ASX Settlement.
Competing Proposal	<p>any proposal, offer or transaction by a third party (other than Afterpay, Touchcorp or Afterpay Touch Group or their Related Bodies Corporate) that, if completed, would mean:</p> <ul style="list-style-type: none"> (a) a person would acquire a relevant interest or voting power in 20% or more of the issued shares of Touchcorp or the securities of any member of the Touchcorp Group; (b) a person would directly or indirectly acquire or obtain an interest (including an economic interest or an interest by way of a licence) in all or a substantial part or material part of the business conducted by, or assets or property of, Touchcorp or any member of the Touchcorp Group, with: <ul style="list-style-type: none"> (i) the business, assets and property to be assessed as a whole, and also on a basis which excludes Touchcorp's holding of Afterpay Shares; and (ii) a substantial or material part of Touchcorp's business, assets or property will be taken to include its intellectual property assets which are used to provide services to Afterpay and its Subsidiaries under the SDLA; (c) a person would acquire control (as defined under section 50AA of the Corporations Act) of Touchcorp or any member of the Touchcorp Group; (d) a person may otherwise acquire, or merge with, Touchcorp or any member of the Touchcorp Group (including by way of a takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership); or (e) Touchcorp will issue, on a fully diluted basis, 20% or more of its capital as consideration for the assets or share capital of another person. <p>Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.</p>

10. Glossary

(continued)

Computershare	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Companies Act	the Companies Act 1981 of Bermuda.
Corporations Act	the Corporations Act 2001 (Cth).
Corporations Regulations	the Corporations Regulations 2001 (Cth).
Directors	all Touchcorp Directors.
Effective	<ul style="list-style-type: none"> With respect to the Touchcorp Scheme, the order of the Bermudian Court made under section 99(2) of the Companies Act in relation to the Touchcorp Scheme coming into effect pursuant to section 99(3) of the Companies Act. With respect to the Afterpay Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Australian Court made under section 411(4)(b) of the Corporations Act in relation to the Afterpay Scheme.
Effective Date	the date on which both the Touchcorp Scheme and the Afterpay Scheme become Effective.
Exchange of Options / Rights Deed	a deed having the effect of cancelling all Afterpay Employee Rights and replicating all such rights on substantially the same terms but with respect to Afterpay Touch Group Shares.
Excluded Shareholder	for the purpose of the Afterpay Scheme only, Touchcorp or a Subsidiary of Touchcorp.
Excluded Shareholder	for the purpose of the Afterpay Scheme only, Touchcorp or a Subsidiary of Touchcorp.
Government Agency	any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.
GST	the Australian tax imposed by the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Implementation Date	6 July 2017, or such other Business Day as Touchcorp and Afterpay agree.
Independent Expert	RSM.
Independent Expert's Report	the report of RSM, as set out in Annexure A.
Independent Limited Assurance Report	the report of that name issued by Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844), as set out in Annexure B.
Ineligible Foreign Shareholder	<p>(as the context applies):</p> <p>(a) in respect of the Touchcorp Scheme, a Touchcorp Shareholder with a registered address in a jurisdiction outside Australia and its external territories, New Zealand, or any other jurisdiction which Touchcorp and Afterpay Touch Group reasonably determine; and</p> <p>(b) in respect of the Afterpay Scheme, an Afterpay Shareholder with a registered address in a jurisdiction outside Australia and its external territories, New Zealand, or any other jurisdiction which Afterpay and Afterpay Touch Group reasonably determine.</p>
IT	information technology.
IVR	interactive voice recognition.
LEA	Loneragan Edwards & Associates Limited (ABN 53 095 445 560).
LEA Report	the independent expert's report prepared by LEA for Afterpay Shareholders in respect of the Afterpay Scheme.
Listing Rules	the official listing rules of ASX as amended from time to time.
Merged Group	Afterpay Touch Group, as the holding company, and its Subsidiaries (including Afterpay and Touchcorp following implementation of the Merger).
Merger	the proposed merger of Touchcorp and Afterpay by way of the inter-conditional Touchcorp Scheme and the Afterpay Scheme, resulting in Afterpay Touch Group's acquisition of Afterpay and Touchcorp.

Merger Announcement	the ASX announcement issued by Touchcorp and Afterpay on 23 February 2017 announcing their intention to pursue the Merger.
Merger Implementation Agreement	the Merger Implementation Agreement dated 30 March 2017 between Touchcorp, Afterpay and Afterpay Touch Group relating to the implementation of the Merger (a copy of which was announced to ASX on 30 March 2017).
MNO	mobile network operator that owns and operates its own network.
MVNO	mobile virtual network operator that rents the network of a MNO to provide its services.
NAB	National Australia Bank Limited.
NAB Facility	the Afterpay Warehouse Trust financing facility constituted by various documents dated on or about 24 November 2016 between, as the case may be, National Australia Trustees Ltd (ABN 80 007 350 405) (in its own capacity and in its capacity as trustee), National Australia Managers Limited (ABN 70 006 437 565), NAB (in its own capacity and in its capacity as trustee), Afterpay, Afterpay Pty Ltd (ABN 15 169 342 947) and others.
Optus Contract	the Optus Group Master Supply Agreement dated 16 March 2016 between Optus Mobile Pty Limited (ABN 15 169 342 947) and Touch Networks Pty Limited (ABN 51 091 258 650).
Plan	the Touchcorp Limited Long Term Incentive Plan Rules, originally adopted by the Touchcorp Board on 17 February 2014.
PMS Infrastructure	payment terminals or practice management systems used by practitioners.
Proxy Form	the personalised proxy form for the Touchcorp Scheme Meeting enclosed with this Scheme Booklet, for use by Touchcorp Shareholders who wish to appoint a proxy to attend and vote at the Touchcorp Scheme Meeting on their behalf.
Record Date	5.00pm on the third Business Day (or such other Business Day as Touchcorp and Afterpay agree in writing) following the Effective Date.
Regulatory Authority	includes a Government Agency, any regulatory organisation established under statute and ASX.
Related Body Corporate	has the meaning given to it in the Corporations Act.
Requisite Majority	means (as the context applies): <ul style="list-style-type: none"> (a) in respect of the Touchcorp Scheme, the passing of the resolution approving the Touchcorp Scheme by: <ul style="list-style-type: none"> (i) a majority in number (more than 50%) of Touchcorp Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting; and (ii) representing at least 75% in value of the Touchcorp Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting; and (b) in respect of the Afterpay Scheme, the passing of the resolution approving the Afterpay Scheme by: <ul style="list-style-type: none"> (i) a majority in number (more than 50%) of Afterpay Scheme Shareholders who are present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Afterpay Scheme Meeting; and (ii) at least 75% of the total number of votes cast on the resolution to approve the Afterpay Scheme..
RSM	RSM Corporate Australia Pty Ltd (ABN 82 050 508 024).
Sale Nominee	the broker appointed by Afterpay Touch Group for the sale of Afterpay Touch Group Shares that would otherwise have been issued to Ineligible Foreign Shareholders.

10. Glossary

(continued)

Scheme Booklet	this document, which includes the Touchcorp Scheme, Touchcorp Deed Poll and the Notice of Touchcorp Scheme Meeting.
SDLA	the Software Development and Licence Agreement between Afterpay Pty Ltd (ABN 15 169 342 947) and Touch Australia Pty Ltd (ABN 13 166 091 587) dated 12 February 2015, as amended from time to time.
Second Australian Court Date	the first day on which an application made to the Australian Court for an order under section 411(4)(b) of the Corporations Act approving the Afterpay Scheme is heard or scheduled to be heard.
Second Bermudian Court Date	the first day on which an application made to the Bermudian Court for an order pursuant to section 99(2) of the Companies Act sanctioning the Touchcorp Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.
Second Bermudian Court Hearing	the hearing of the application made to the Bermudian Court for orders sanctioning the Touchcorp Scheme in accordance with the Companies Act.
Subsidiary	has the same meaning as in section 46 of the Corporations Act.
Superior Proposal	a bona fide Competing Proposal which the Touchcorp Board determines, acting in good faith and in order to satisfy what the Touchcorp Board reasonably considers to be its fiduciary or statutory duties, would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Touchcorp Shareholders than the Touchcorp Scheme having regard to matters including consideration, conditionality, funding, certainty and timing.
Touch System	Touchcorp's software and hardware network that includes the TouchPoint Technology, the eServices Platform, the Mobility Platform (each, as defined in section 4.2 of this Scheme Booklet), any associated hardware and the range of network capabilities.
Touch System Platform	the proprietary software platform designed, built, owned and operated by Touchcorp.
Touchcorp	Touchcorp Limited (ARBN 603 731 184) and, where appropriate, its Subsidiaries.
Touchcorp Board	the board of directors of Touchcorp.
Touchcorp Deed Poll	the deed poll executed by Afterpay Touch Group under which Afterpay Touch Group covenants to carry out its obligations under the Touchcorp Scheme.
Touchcorp Directors	the directors of Touchcorp.
Touchcorp Employee Right	any right to be issued or transferred a Touchcorp Share, or to have a limited recourse loan share vested, granted under the Plan.
Touchcorp Group	Touchcorp and its Subsidiaries.
Touchcorp Information	the information contained in this Scheme Booklet other than the Afterpay Information, Afterpay Touch Group Information, the Independent Expert's Report and the Independent Limited Assurance Report.
Touchcorp Loan Share	a Touchcorp Share, granted by Touchcorp in conjunction with an Acquisition Loan under the Plan.
Touchcorp Material Adverse Change	has the meaning given in the Merger Implementation Agreement.
Touchcorp Register	the register of shareholders maintained by Touchcorp in accordance with section 65 of the Companies Act.
Touchcorp Scheme	the scheme of arrangement between Touchcorp and the Touchcorp Scheme Participants as described in clause 4 of the Merger Implementation Agreement and set out in Annexure C.
Touchcorp Scheme Consideration	the consideration to be issued to the Touchcorp Scheme Participants (other than Ineligible Foreign Shareholders) under the Touchcorp Scheme, being 0.64 Afterpay Touch Group Shares for each Touchcorp Share held by a Touchcorp Scheme Participant.

Touchcorp Scheme Meeting	a meeting of Touchcorp Shareholders to be convened by the Bermudian Court pursuant to the Touchcorp Scheme.
Touchcorp Scheme Participants	each person registered in the Touchcorp Register as the holder of a Touchcorp Share as at the Record Date.
Touchcorp Share	a fully paid ordinary share in Touchcorp.
Touchcorp Share Registry	Computershare.
Touchcorp Shareholders	each person who is registered in the Touchcorp Register from time to time as the holder of a Touchcorp Share.
TouchPoint Technology	the suite of software technology developed by Touchcorp, through which Touchcorp integrates with existing point-of-sale devices or PMS Infrastructure.
VWAP	volume weighted average price.

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Annexure A
Independent Expert's Report



TOUCHCORP LIMITED

Financial Services Guide and Independent Expert's Report

April 2017

We have concluded that the Scheme is FAIR AND REASONABLE AND IN THE BEST INTERESTS of Shareholders of Touchcorp Limited

Annexure A Independent Expert's Report (continued)

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 AFSL 255 847 ("RSM" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of an independent expert's report to be provided to you.

In the above circumstances, we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purpose of our Independent Expert's Report ("Report") and this FSG, the financial service which we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the Report as a retail client because of your connection to the matters on which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

In our Report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing various different financial services. However, in respect of the financial services being provided to you by us, fees will be agreed with, and paid by, the person who engages us to provide the Report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; Touchcorp Limited ("Touchcorp" or the "Company") will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Remuneration or other benefits received by our employees

All of our employees who provide or provided services in relation to the financial services being provided to you receive a salary. However, other employees of RSM may be remunerated in other ways, such as salaries with the entitlement to earn a bonus, depending on meeting revenue, compliance and marketing targets throughout any given financial year. Such other remuneration structures are not relevant to the financial services being provided to you.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is wholly owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Corporate Australia Pty Ltd, PO Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to external dispute resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 3 of the Report.

Annexure A
Independent Expert's Report
(continued)

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26 April 2017

Shareholders
Touchcorp Limited
34 Bermudiana Road
Hamilton, HM11, Bermuda
CC Level 1 Spring Street
Melbourne VIC 3000

Dear Shareholders

INDEPENDENT EXPERT'S REPORT

1. Introduction

- 1.1 On 23 February 2017 Touchcorp Limited ("Touchcorp" or the "Company") and Afterpay Holdings Limited ("Afterpay") (collectively, "the Companies") announced (the "Announcement") that the Companies had signed a Heads of Agreement to enter into inter-conditional schemes of arrangements.
- 1.2 On 30 March 2017 it was announced that the Companies had entered into a formal Merger Implementation Agreement ("MIA"). The key terms for the Touchcorp Scheme ("Scheme") include:
 - Newly incorporated Australian company, Afterpay Touch Group ("ATG"), will issue shares to Afterpay shareholders (excluding Touchcorp, which currently holds approximately 26% of Afterpay shares on issue on a fully diluted basis) on a 1:1 basis and to Touchcorp shareholders on a 0.64:1 basis, such that at completion of the Scheme, ATG will be owned approximately 64% by Afterpay shareholders (excluding Touchcorp) and approximately 36% by Touchcorp shareholders, each on a fully diluted basis (Refer to Section 4);
 - ATG will acquire Touchcorp and Afterpay by two separate inter-conditional schemes of arrangement, following which Touchcorp and Afterpay would each become wholly-owned subsidiaries of ATG;
 - The Scheme, is subject to the Bermuda Court ("Court") convening a meeting of Shareholders where they will consider a resolution seeking approval of the Scheme ("Scheme Meeting"). The Scheme Meeting is to be held on or about 9 June 2017 and, under the Companies Act of Bermuda ("Companies Act"), it will be approved by Shareholders if the resolution is passed by a majority of Shareholders present (in person or by proxy) and voting at the Scheme Meeting, and by at least 75% of the votes cast on the resolution. If this occurs, a second Court hearing will be held to approve the Scheme which, if approved, will become binding on all Touchcorp shareholders who hold Touchcorp shares as at the Scheme record date, irrespective of whether or not they voted for the Scheme;
 - ATG will be listed on the Australian Securities Exchange; and
 - The board of directors of ATG will comprise four directors from the Afterpay board and two directors from the Touchcorp board as follows:
 - Anthony Eisen, Executive Chairperson;
 - Nicholas Molnar, Managing Director;
 - Michael Jefferies, Non-Executive Director;

Annexure A Independent Expert's Report (continued)



- David Hancock, Non-Executive Director;
 - Clifford Rosenberg, Non-Executive Director;
 - Elana Rubin, Non-Executive Director.
- 1.3 The directors of Touchcorp have requested RSM, being independent and qualified for the purpose, to express an opinion as to whether or not the Scheme, and the offer under the Scheme, is fair and reasonable and in the best interests of Non-Associated Shareholders ("Shareholders"). We have had regard to Regulatory Guide 111 Content of Expert Reports ("RG 111"), in our assessment of the fairness and reasonableness of the Scheme.
- 1.4 Accordingly, we have prepared this Report for the purpose of stating, in our opinion, whether or not the Scheme, and the offer under the Scheme, is fair and reasonable and is in the best interests of Shareholders and to set out the reasons for that opinion. Our Report is to be included in the Scheme Booklet and Notice of Meeting to be sent to Shareholders in respect of the Scheme Meeting.
- 1.5 This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstances of Shareholders. The ultimate decision whether to approve the Scheme should be based on each of Shareholders' individual assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Shareholders should read and have regard to the contents of the Scheme Booklet and Notice of Meeting, which has been prepared by the directors and Management of Touchcorp. Shareholders who are in doubt as to the action they should take with regards to the Scheme and the matters dealt with in this Report, should seek independent professional advice.

2. Summary and conclusion

Opinion

- 2.1 In the absence of any other relevant information and/or a superior proposal, RSM considers the Scheme to be **fair and reasonable** to Shareholders, and accordingly, that the Scheme is **in the best interests** of Shareholders. A summary of our reasons for, and the approach adopted in reaching our opinion is set out in this section of our Report.

Approach

- 2.2 In assessing whether the Scheme is 'in the best interests' of Shareholders, we have considered Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 – Content of Expert Reports, which provides specific guidance as to how an expert is to appraise a scheme of arrangement.
- 2.3 Schemes of arrangement can be used as an alternative to a takeover bid under Chapter 6 of the Act to achieve substantially the same outcome. In these circumstances, RG 111 suggests that the form of analysis to be undertaken by the expert should be substantially the same as for a takeover bid.
- 2.4 In effect, the Scheme represents a takeover offer for Touchcorp via an offer of 0.64 shares in ATG for every Touchcorp share and an offer of one share in ATG for every Afterpay share (excluding the 26% interest held by Touchcorp). Therefore, consistent with the guidance set out in RG 111, in assessing whether or not we consider the Scheme to be 'in the best interests' of Shareholders, we have considered whether the Scheme is 'fair' to Shareholders by assessing and comparing:
- the Fair Value of a share in Touchcorp on a controlling basis prior to the Scheme (inclusive of the 26% shareholding in Afterpay); and
 - the value of the consideration to be received by Shareholders under the Scheme, on a minority basis ("Scheme Consideration").

We have also considered whether the Scheme is 'reasonable' to Shareholders by undertaking an analysis of the other factors relating to the Scheme, which are likely to be relevant to Shareholders in their decision of whether or not to approve the Scheme.

- 2.5 Our assessment of the Fair Value of a share in Touchcorp has been prepared on a basis which is consistent with the following definition of Fair Value:
- "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction."
- 2.6 Further information of the approach we have adopted in assessing whether the Scheme is in 'the best interests' of Shareholders is set out in section 11 of this Report.

Is the Scheme Fair to Shareholders?

- 2.7 In assessing whether we consider the Scheme to be fair to Shareholders, we have valued a share in Touchcorp prior to the Scheme on a controlling basis, and compared it to our assessed value of the Scheme Consideration per share, on a minority basis, to determine whether a Shareholder would be better or worse off should the Scheme be approved. The Scheme Consideration represents the value of the equivalent ownership interest per Touchcorp share in ATG. The value of the Scheme Consideration has been assessed on an undiluted and fully diluted basis immediately after the Scheme.

Valuation summary on an undiluted basis

- 2.8 Our assessment on an undiluted basis is set out in the table below:

Valuation summary on an undiluted basis	Low \$	High \$
Fair value of Touchcorp per share prior to the Scheme (controlling basis)	1.21	1.33
Fair Value per share of Scheme Consideration (minority basis)	1.41	1.52

Table 1.1 - Valuation summary on an undiluted basis (Source: RSM analysis)

Annexure A
Independent Expert's Report
(continued)



2.9 The above comparison is depicted graphically in the table below:

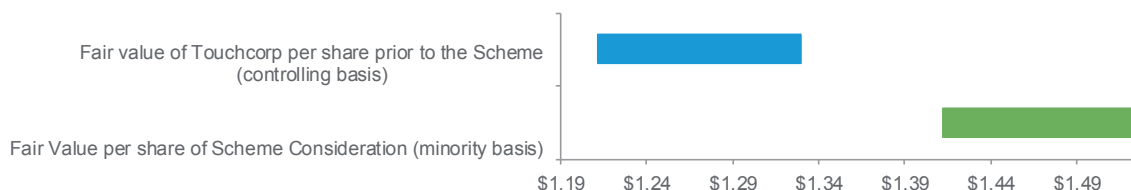


Diagram 1.1 - Valuation summary on an undiluted basis (Source: RSM analysis)

Valuation summary on a fully diluted basis

2.10 Our assessment on a fully diluted basis is set out in the table below:

Valuation summary on a fully diluted basis	Low \$	High \$
Fair value of Touchcorp per share prior to the Scheme (controlling basis)	1.21	1.33
Fair Value per share of Scheme Consideration (minority basis)	1.34	1.44

Table 2.2 - Valuation summary on a fully diluted basis (Source: RSM analysis)

2.11 The above comparison is depicted graphically in the table below:

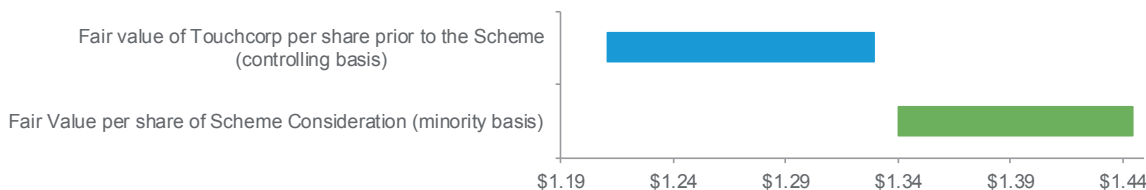


Diagram 2.2 - Valuation summary on a fully diluted basis (Source: RSM analysis)

Conclusion

2.12 As the range of the Scheme Consideration is greater than the range of the Fair Value of a Touchcorp share prior to the Scheme on an undiluted basis and on a fully diluted basis, and in the absence of any other relevant information, in our opinion the Scheme is **fair** to Shareholders.

Reasonableness

2.13 RG 111 establishes an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the Scheme.

2.14 Given we have concluded the Scheme is fair to Touchcorp's Shareholders, the Scheme is also considered to be reasonable.

2.15 Notwithstanding the above, we have considered the following factors when assessing the Scheme's reasonableness:

- Other advantages and disadvantages of the Scheme;
- The extent to which a control premium is being paid;
- Future prospects of Touchcorp if the Scheme is not approved; and
- Alternative proposals and the likelihood of an alternative takeover offer.

A summary of our considerations are set out below, and in Section 11 of this Report.



In our opinion, the Scheme's key advantages are:

- 2.16 We have concluded that the Scheme is fair to Shareholders.
- 2.17 If the Scheme is approved, as the Scheme Consideration is in the form of scrip in ATG, Touchcorp shareholders will continue to share in any benefits and risks associated with being an investor in Touchcorp.
- 2.18 There are likely to be synergies available from combining the Touchcorp and Afterpay businesses into a single listed entity, including operational efficiencies from increased scale and overhead efficiencies generated from a single company structure. Touchcorp shareholders will benefit from any synergies generated as shareholders in ATG if the Scheme is approved.
- 2.19 Should the Scheme be approved, Touchcorp shareholders will receive scrip in ATG for their Touchcorp shares and, therefore, retain the potential benefit of sharing in any premium for control that may be paid by a potential acquirer of ATG subsequent to the Scheme being approved.
- 2.20 Afterpay is a larger company by market capitalisation and, together with Touchcorp, the increased size and profile of ATG may result in more institutional coverage. Further, as a larger entity, there may be an improvement in the liquidity of ATG shares, compared to Touchcorp.
- 2.21 The anticipated growth in Afterpay's business is based upon Touchcorp's software platform and its development. The anticipated growth in the Afterpay business is expected to result in additional transactional revenue for Touchcorp. Further, Touchcorp continues to devote resources to the development and support of the Afterpay business. A combined focus of the two entities may result in the generation of greater shareholder value than could be achieved as two standalone entities.

The Scheme's key disadvantages are:


- 2.22 Subsequent to the implementation of the Scheme, Touchcorp shareholders' interests will be diluted to a 36.5% share in ATG (on a fully diluted basis). The dilution of Shareholders' interests reduces the ability of existing shareholders in Touchcorp to influence the strategic direction of ATG, including acceptance or rejection of takeover or merger proposals.
- 2.23 Details of the taxation implications of the Scheme to Shareholders are set out in Section 8 of the Scheme Booklet. As set out in Section 8 of the Scheme Booklet, PWC has been engaged by Touchcorp to provide a general summary of the Australian tax implications for eligible shareholders in Touchcorp who participate in the Scheme. The conclusions reached by PWC are applicable to Australian resident shareholders of Touchcorp who hold their shares on capital account and not as trading stock or revenue assets. The summary does not address the tax consequences to shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 as regards to their Touchcorp Shares nor to employees who are shareholders of Touchcorp. PWC concludes that Touchcorp Scheme participants who make a capital gain from the disposal of their Touchcorp shares should be eligible to choose CGT roll-over relief. Should an eligible Touchcorp Scheme participant choose to obtain CGT roll-over relief, a capital gain arising on disposal of Touchcorp shares held by an eligible Touchcorp Scheme participant is disregarded. Shareholders should read Section 8 of the Scheme Booklet in full as the taxation consequences for Shareholders will depend upon their individual circumstances. In some circumstances tax consequences may be unfavourable to certain Shareholders. If in any doubt, Shareholders should consult their own professional adviser.
- 2.24 Subsequent to the implementation of the Scheme, Shareholders will own shares in ATG and will be exposed to any potential downside that may result from being a shareholder of an entity, which owns both Touchcorp and Afterpay by having an increased exposure to the Afterpay risks compared to those that come from Touchcorp's current interest in Afterpay.

The extent to which a control premium is being paid:

- 2.25 The offer under the Scheme is at a premium to the 30 day volume weighted average price ("VWAP") of a Touchcorp share prior to the Announcement to the Australian Securities Exchange ("ASX") on 23 February 2017 of \$1.06.
- 2.26 As we have assessed the value of the Scheme Consideration to be in the range of \$1.34 to \$1.44 per ATG share (on a fully diluted basis), this implies that a premium for control of approximately 26% to 36% has been included in the Scheme offer when compared to the historical 30 day VWAP of Touchcorp.

Future prospects of Touchcorp if the Scheme is not approved:

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- 2.27 The Scheme was announced to the ASX on 23 February 2017, which resulted in Touchcorp's share price closing at \$1.32 on that date. The closing price on 21 April 2017 was \$1.42. Touchcorp's share price closed at \$1.05 on 22 February 2017, just prior to the Announcement of the Scheme.
- 2.28 It is common in takeover transactions for shares in the target company to rise post the Announcement of an offer, to a price at or around the offer price, in circumstances where the offer is in excess of recent trading prices of the target.
- 2.29 In the event that the Scheme is not approved by Shareholders, we consider, that in the short term, there is a risk that Touchcorp's share price will fall to around the levels achieved prior to the Announcement of the Scheme as at 23 February 2017.
- 2.30 Dependent upon on the reasons why the Scheme does not proceed, Touchcorp may be liable to pay a break fee of \$750,000 to Afterpay. However, no break fee is payable merely for the reason that Touchcorp shareholders do not approve the Scheme.
- 2.31 Touchcorp estimates that it will have incurred or committed transaction costs of approximately \$1.2 million in relation to the Scheme. These costs will be payable by Touchcorp regardless of whether or not the Scheme is approved and becomes effective.

Alternative proposals and the likelihood of an alternative takeover offer:

- 2.32 On 13 April 2017, Touchcorp announced that the Company had received a confidential, conditional, unsolicited, indicative and non-binding expression of interest to acquire the Company's operating assets, excluding surplus cash and its shareholding in Afterpay ("Alternative Proposal").
- 2.33 The Touchcorp board of Directors (the "Board"), following consultation with its advisers, including its corporate adviser Gresham Advisory Partners, has considered the Alternative Proposal and determined that it does not constitute a superior proposal to the MIA signed with Afterpay on the 30 March 2017.
- 2.34 The opinion of the Board, is that the sale of Touchcorp's operating assets to a third party while Shareholders remain exposed to the value of Afterpay shares, would give rise to significant risks which would adversely affect Touchcorp shareholders under the Alternative Proposal. The Afterpay shares held by Touchcorp are subject to ASX escrow until 3 May 2018.
- 2.35 Based on this assessment, we have been advised by the Touchcorp directors that they are not aware of a superior proposal to the Scheme at the date of this Report.
- 2.36 In considering the Alternative Proposal, we have reviewed correspondence between the two parties and held discussions with the Independent Director of Touchcorp and its advisers, Gresham Advisory Partners. The Board and its advisers have given consideration to a number of quantitative and subjective matters, including the potential impact on the value of Touchcorp's stake in Afterpay. Based on our assessment of the Fair Value of a Touchcorp share prior to the Announcement, approximately 63% of Touchcorp's value is represented by its shareholding in Afterpay. Having regard to the above, we do not consider that the position reached by the Board is unreasonable.
- 2.37 Due to the commercially sensitive nature of the Alternative Proposal, we are unable to disclose any further information at this point in time.
- 2.38 In the event that a superior proposal emerges prior to the Scheme meeting, Shareholders will be entitled to reject the Scheme and pursue other proposals. In the event that a superior proposal emerges, we reserve the right to change our Report.

Conclusion

- 2.39 In the absence of any other relevant information and/or a superior proposal, we consider the Scheme, is **reasonable** for Touchcorp's Shareholders.



3. Scope of the Report

Purpose of this Report

- 3.1 The Scheme is to be implemented pursuant to section 99(1) of the Companies Act. Whilst there is no requirement for a Report under the Companies Act, the independent director of Touchcorp has requested RSM, being independent and qualified for the purpose, to express an opinion as to whether the Scheme is fair and reasonable and is in the best interests of Shareholders.

Regulatory guidance

- 3.2 Whilst the ASIC Regulatory Guidance does not directly apply to the Companies Act, the directors of Touchcorp have requested that we express our opinion having regard to ASIC Regulatory Guidance. Therefore, in determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by the ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders in making informed decisions about transactions.
- 3.3 RG 111 prescribes that a key matter that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transactions is comparable to a takeover bid and is, therefore, representative of a change of control transaction. Where a scheme would achieve substantially the same outcome as a takeover bid, RG 111 aligns “in the best interests” with the “fair and reasonable” test. While RG 111 does not define “fair and reasonable” it does provide some guidance as to how the terms should be interpreted in a range of circumstances. With respect to a takeover bid, RG 111 applies the “fair and reasonable” test as two distinct criteria, stating:
- a takeover offer is considered “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - a takeover offer is considered “reasonable” if it is fair or, where the offer is “not fair”, it may still be “reasonable” if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 3.4 RG 111 contends that if an expert were to conclude that a Scheme is “fair and reasonable” if it was in the form of a takeover bid, they will also be able to conclude that the scheme is in the best interests of the members of the company.

Adopted basis of evaluation

- 3.5 In effect, the Scheme essentially represents a takeover offer by Afterpay for 100% of the shares in Touchcorp held by Shareholders. Therefore, consistent with the guidance set out in RG 111 as summarised above, in assessing whether or not we consider the Scheme to be in “the best interests” of Shareholders we have considered whether the Scheme is “fair” by assessing and comparing:
- the Fair Value of a share in Touchcorp on a controlling basis prior to the Scheme; with
 - the Fair Value of the Scheme Consideration.
- 3.6 On this basis, if the Scheme Consideration per share offered to Touchcorp shareholders immediately after the Scheme is equal to or greater than the Fair Value of a Touchcorp share prior to the Scheme, the Scheme would be “fair” and, as such, in the best interests of Shareholders.
- 3.7 Our assessment of the Fair Value of a share in Touchcorp has been prepared on a basis which is consistent with the following definition of Fair Value:
- “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.”

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- 3.8 In assessing whether the Scheme is in the “best interests” of Shareholders, in addition to considering whether or not the Scheme is “fair” to Shareholders, we have also considered whether the Scheme is “reasonable” by undertaking an analysis of the following factors:
- Other advantages and disadvantages of the Scheme;
 - The extent to which a control premium is being paid;
 - Future prospects of Touchcorp if the Scheme is not approved; and
 - Alternative proposals and the likelihood of an alternative takeover offer.
- 3.9 Our assessment of the proposed Scheme is based on economic, market and other conditions prevailing at the date of this Report.

4. Summary of the Scheme

Overview

- 4.1 On 30 March 2017, Touchcorp announced that it had executed the MIA with Afterpay. Under the MIA, Touchcorp and Afterpay will merge under a newly incorporated Australian holding company via inter-conditional schemes of arrangement.
- 4.2 ATG will issue new shares to Afterpay shareholders (excluding Touchcorp, which currently holds approximately 26% of Afterpay shares on issue on a fully diluted basis) on a 1:1 basis and to Touchcorp shareholders on a 0.64:1 basis such that at completion of the Scheme, ATG will be owned approximately 63.5% by Afterpay shareholders (excluding Touchcorp) and approximately 36.5% by Touchcorp shareholders, each on a fully diluted basis.
- 4.3 This will result in Touchcorp shareholders being issued 84.16 million shares in ATG, as follows:

ATG Shares on issue	Ref	Afterpay '000	Touchcorp '000	ATG total '000
Undiluted				
Shares on issue (Touchcorp on 0.64:1 basis)		180,337	84,418	264,755
Touchcorp shares in Afterpay	4.5	(50,000)	-	(50,000)
Shares to be issued to ATG shareholders		130,337	84,418	214,755
As a percentage		60.69%	39.31%	100.00%
Fully diluted				
Shares on issue (Touchcorp on 0.64:1 basis)		180,337	84,418	264,755
Options and performance rights	4.4	16,220	-	16,220
Touchcorp shares in Afterpay	4.5	(50,000)	-	(50,000)
Shares to be issued to ATG shareholders		146,557	84,418	230,975
As a percentage		63.45%	36.55%	100.00%

Table 4.1 – ATG's share on issue (Source: ASX announcements, Scheme Booklet and RSM analysis)

- 4.4 Set out in paragraph 6.20 is a summary of share options and performance rights issued in Afterpay.
- 4.5 Touchcorp holds 50 million shares in Afterpay. The shares were received as consideration for development work undertaken by Touchcorp for Afterpay.

Key conditions of the Scheme

- 4.6 The implementation of the Scheme is subject to a number of conditions ("Conditions Precedent"). The Conditions Precedent which must be satisfied or waived are:
- Convening of Scheme meetings:** Afterpay and Touchcorp hold respective Scheme meetings to consider and vote on the Afterpay Scheme and the Touchcorp Scheme, respectively. This is required by the Australian Court under section 411(1) of the Corporations Act as it relates to Afterpay, and is required by the Bermuda Court under the Companies Act as it relates to Touchcorp;
 - Shareholder approval:** The Afterpay Scheme and the Touchcorp Scheme is approved by shareholders by the majorities required under the Corporations Act and Companies Act, respectively;
 - Court approval:** The Afterpay Scheme is approved by the Australian Court under the requirements of the Corporations Act, and the Touchcorp Scheme is sanctioned by the Bermuda Court under the requirements of the Companies Act;
 - ASIC and Bermuda Registrar of Companies approval:** The Australian Court and Bermuda Court approvals are lodged with ASIC and the Bermuda Registrar of Companies, respectively, on or before 30 September 2017 or a later date mutually agreed between Afterpay and Touchcorp;
 - Other regulatory approvals:** all regulatory approvals required to implement the Afterpay Scheme and Touchcorp Scheme, are granted by the relevant bodies;

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- (f) **ASX listing approval:** ASX approves ATG to be admitted to the official list of ASX, and official quotation of the ATG shares;
- (g) **Prescribed Occurrence / Material Adverse Change:** No Afterpay or Touchcorp Prescribed Occurrence or Material Adverse Change occurs. Prescribed Occurrence and Material Adverse Change as it relates to Afterpay and Touchcorp are defined in Section 1 of the MIA dated 30 March 2017;
- (h) **Independent Expert's Report:** Afterpay and Touchcorp are provided with an Independent Expert's Report from an Independent Expert stating that in its opinion, the respective Afterpay Scheme and Touchcorp Scheme are fair and reasonable and in the best interests of their shareholders;
- (i) **Escrow Agreement:** an Escrow Agreement has been duly executed by each of the Escrowed ATG Shareholders in respect of the relevant Escrowed Shares; and

Terms that have not been defined in the Report are defined in the MIA.



5. Profile of Touchcorp

Overview

- 5.1 Touchcorp is an application software company incorporated in Bermuda and registered as a foreign corporation in Australia.
- 5.2 Touchcorp listed on the ASX in March 2015.
- 5.3 Touchcorp designed, built, owns, develops, operates and maintains a proprietary cloud based software platform, the Touch System Platform, which enables consumers to purchase products both in-store and directly via secure self-service methods and across mobile applications, websites and interactive voice recognition systems.
- 5.4 Touchcorp's has three business units, each offering different products and services:
- Mobility and payment services
 - Enables merchant retailers to sell goods and services via any consumer channel including in store, IVR, website and mobile applications.
 - Retail services
 - Enables point-of-sale devices commonly found in retail premises, such as payment terminals, electronic cash registers and self-service kiosks to process and deliver transactions. Commonly offered electronic products include mobile phone recharge vouchers, iTunes cards, road tolling, fishing licences, gaming cards and attraction tickets.
 - Health and government services
 - Enables a range of electronic claiming solutions designed to streamline processing and payments of health insurance claims by consumers/patients originating in medical and allied health practices.
- 5.5 Touchcorp's revenue by business unit (as a percentage of total revenue) for the financial year ended 31 December 2016 ("FY16") is depicted in the diagram below:

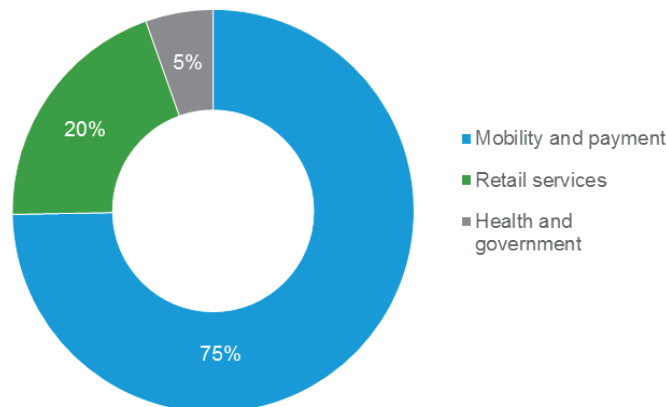


Diagram 5.1 - Touchcorp revenue by business unit (FY16)

- 5.6 Touchcorp generates revenue, locally and internationally, from its two service lines:
- Integration and infrastructure
 - Integration fees for the connection of new customers to the Touch System Platform and/or for granting existing customers with access to additional services; and
 - Upfront fees for software development work and development of new applications.
 - Recurring transactions
 - Transaction fees for the delivery of completed transactions

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- 5.7 Over the past two years, Touchcorp has adopted a strategy to grow its long term revenue streams through incubator investments, such as Afterpay and Change Up Holdings Limited (“Change Up”), where revenue typically comprises:
- Fees in the form of equity in the incubator entity in exchange for access to the Touch System Platform;
 - Upfront fees for software development work and development of new applications; and
 - Recurring transaction fees for the delivery of completed transactions.
- 5.8 Incubator projects relate only to start-up or early stage businesses, such as Afterpay or Change Up. Consequently, payment of the upfront software development fee is reliant on the incubator business’s ability to raise sufficient capital to pay Touchcorp.
- 5.9 The level of future recurring revenue generated from incubator investments is driven by the delivery of completed transactions and, therefore, is very much dependent on the success of the business model and customer adoption rates.
- 5.10 A significant amount of Touchcorp’s revenue in FY15, FY16 and HY1 16 was attributable to the large non-recurring infrastructure fees generated from incubator investments. In FY15 and FY16 Touchcorp generated non-recurring revenue of \$13.0 million and \$11.05 million from the Afterpay and Change Up incubator investments, respectively. In order to maintain the historic levels of profitability, Touchcorp is currently dependent upon the future delivery of similar incubator investments. Based on our discussions with Management, we understand that, whilst it is the intention of Management to identify and execute incubator and integration projects, there are limited opportunities currently available over the near term.
- 5.11 Afterpay’s technology was built, and continues to be developed and maintained, by Touchcorp, under a Software Development and Licence Agreement (“SDLA”). The Afterpay system was developed by Touchcorp through the modification and further development of pre-existing Touchcorp technology and systems. Touchcorp also processes all of Afterpay’s transactions on its behalf in return for an ongoing fee, which is set on a favourable pricing terms for Afterpay relative to Touchcorp’s other customers. Afterpay believes that this favourable pricing provides an additional source of competitive advantage, particularly in regard to domestic competitors.
- 5.12 Afterpay’s relationship with Touchcorp as a service provider has also assisted in making it quicker and easier to integrate with merchant’s online stores.
- 5.13 Touchcorp’s revenue by service line (as a percentage of total revenue) for FY16 is shown in the chart below:

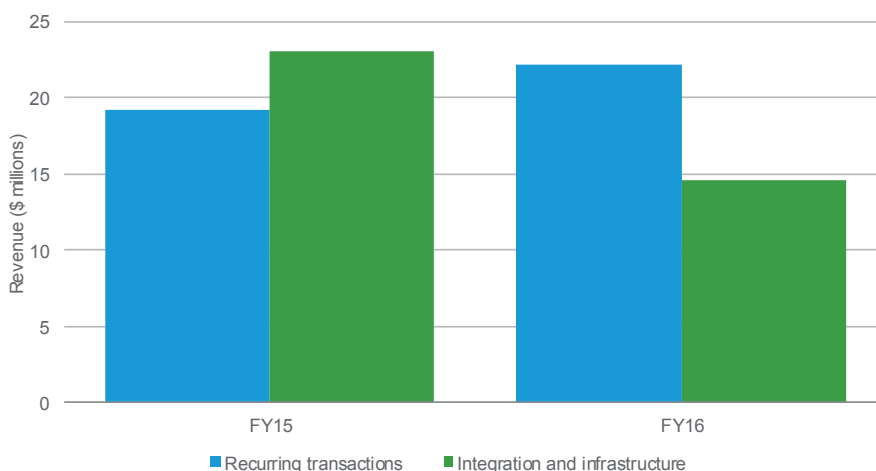


Diagram 5.2 - Touchcorp revenue by service line for FY15 and FY16

- 5.14 Touchcorp has offices in Croatia, Singapore and Bermuda. International sales contributed 8% of total revenue in FY16.
- 5.15 Touchcorp’s key Australian customers include:



- Optus Mobile Pty Ltd;
 - 7-Eleven Stores Pty Ltd;
 - National Australia Bank (HICAPS);
 - Commonwealth Bank;
 - Australia and New Zealand Banking Group; and
 - Afterpay.
- 5.16 Touchcorp's key international customers include:
- Valora Schweiz AG (Europe); and
 - Reitan Convenience AS (Scandinavia).

5.17 Touchcorp's current directors are:

■ **Michael Jefferies (Executive Chairman and interim Chief Executive Officer)**

Michael is a chartered accountant with experience in finance and investment including more than 20 years as an executive of Guinness Peat Group plc ("GPG"), an international investment group listed on the major stock exchanges in London, Australia and New Zealand. He is also a Non-Executive Director of Homeloans Limited and Ozgrowth Limited, and is the Non-Executive Chairman of Pantoro Limited. Michael has been a director of a number of listed public companies in Australia and New Zealand and has over 30 years of public company and finance experience. Michael resigned as a director of Afterpay on 6 April 2017;

■ **Duncan Saville (Non-Executive Director)**

Duncan is a chartered accountant and is currently Chairman of ICM Limited, an international fund manager. In addition, he is Chairman of Vix Investments Limited, Non-Executive Director of New Zealand Oil and Gas Limited, Somers Limited, West Hamilton Holdings Limited and a director of Cue Energy Resources Limited. He has previously been a Non-Executive Director of a number of listed utility and investment companies. . Duncan has in excess of 30 years of public company and finance experience; and

■ **Elana Rubin (Independent Non-Executive Director)**

Elana Rubin has been a longstanding director of a number of public and private companies, with extensive experience in property and financial services. Elana is currently a Non-Executive Director of Mirvac Limited and several unlisted companies. Elana was previously a Non-Executive Director of TAL Life Limited and was a Director of Bravura Solutions. Elana was the former Chair of Australian Super and the Victorian WorkCover Authority. Elana has over 20 years' experience in the property and financial services sectors.

5.18 Touchcorp's subsidiary companies are tabled below.

Subsidiary	Country of Incorporation	% Equity Interest
Touch Holdings Ltd	Australia	100%
Touch Network Australia Pty Ltd	Australia	100%
Touch Australia Pty Ltd	Australia	100%
Touch Network Pty Ltd	Australia	100%
Touchcorp Singapore Pte Ltd	Singapore	100%
Touch Networks Payments (Malaysia) Sdn Bhd	Malaysia	100%

Table 5.1: Touchcorp subsidiary companies (Source: ASX announcements)

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Financial performance

5.19 The table below sets out Touchcorp's audited consolidated financial performance for the three years ended 31 December 2016, reviewed consolidated financial performance for the 1st half-year ended 30 June 2016 ("HY1 16") and the consolidated financial performance for the 2nd half-year ended 31 December 2016 ("HY2 16").

Touchcorp Limited Undiluted	Ref	FY 13 Year ended 31-Dec-13 Audited \$'000	FY14 Year ended 31-Dec-14 Audited \$'000	FY15 Year ended 31-Dec-15 Audited \$'000	HY1 16 6 months ended 30-Jun-16 Audited \$'000	HY2 16 6 months ended 31-Dec-16 Reviewed \$'000	FY16 Year ended 31-Dec-16 Audited \$'000
Total sales	5.19-23	19,055	24,770	42,297	22,176	14,642	36,817
Cost of sales		(3,259)	(5,478)	(6,993)	(4,568)	(6,248)	(10,816)
Gross profit	5.24	15,796	19,292	35,304	17,608	8,393	26,001
<i>Gross profit margin</i>		83%	78%	83%	79%	57%	71%
Other income		59	105	47	226	173	399
Government grants		210	1,590	112	63	-	63
Total other income		269	1,695	159	288	173	462
Operating expenses							
Employee benefits	5.26	(7,203)	(6,143)	(6,019)	(3,528)	(4,973)	(8,502)
Contractors		(457)	(658)	(560)	(196)	(525)	(721)
Advertising		(425)	(498)	(821)	(288)	(231)	(519)
Customer development	5.27	-	(1,410)	(5,646)	(2,823)	(2,823)	(5,646)
Capital raising	5.28	-	-	(3,569)	-	-	-
Travel and accommodation		(704)	(980)	(942)	(280)	(463)	(742)
General and administrative	5.29	(2,562)	(3,845)	(4,567)	(2,492)	(3,325)	(5,817)
Total operating expenses		(11,351)	(13,534)	(22,124)	(9,607)	(12,339)	(21,947)
EBITDA		4,715	7,452	13,338	8,289	(3,773)	4,516
<i>EBITDA margin</i>		25%	30%	32%	37%	-26%	12%
Depreciation and amortisation		(553)	(817)	(1,217)	(1,662)	(2,190)	(3,852)
EBIT	5.18	4,161	6,635	12,122	6,627	(5,963)	664
<i>EBIT margin</i>		22%	27%	29%	30%	-41%	2%
Interest paid		(142)	(0)	(4)	(77)	77	-
Interest received		42	67	162	27	119	146
Share of gain/(loss) from Afterpay	5.30	-	-	(3,772)	5,680	8,581	14,261
Net profit before tax		4,061	6,702	8,507	12,256	2,815	15,072
Income tax expense		-	6,842	881	(2,337)	(1,162)	(3,499)
Net profit after tax		4,061	13,544	9,387	9,919	1,654	11,572

*Calculated based on Touchcorp's audited financial statement for the year ended 31 December 2016 and reviewed financial statements for the half-year ended 30 June 2016

Table 5.2: Touchcorp financial performance (Source: Touchcorp financial statements)

- 5.20 Touchcorp's EBIT increased by circa \$5.49 million from FY14 to FY15, and decreased by circa \$11.46 million from FY15 to FY16. The significant decrease in FY16's EBIT primarily occurred in HY2 16, where Touchcorp incurred a loss at an EBIT level of circa \$5.96 million, representing a decrease of circa \$12.59 million from HY1 16.
- 5.21 Touchcorp disclosed total operating revenue of \$24.77 million (FY14), \$42.30 million (FY15) and \$36.82 million (FY16).

5.22 A breakdown of revenue by service line is provided below:

Touchcorp Limited Revenue split	FY14	FY15	HY1 16	HY2 16	FY16
	Year ended 31-Dec-14 Audited \$m	Year ended 31-Dec-15 Audited \$m	6 months ended 30-Jun-16 Audited \$m	6 months ended 31-Dec-16 Reviewed \$m	Year ended 31-Dec-16 Audited \$m
Recurring revenue	24.00	19.20	10.12	11.98	22.10
Integration and infrastructure	0.80	23.10	12.06	2.66	14.72
Total Revenue	24.80	42.30	22.18	14.64	36.82

Table 5.3: Touchcorp revenue by service line (Source: Touchcorp financial statements and ASX announcements)

- 5.23 The decrease in revenue from FY15 to FY16 was primarily due to a decrease in integration and infrastructure fees. Integration and infrastructure revenue was \$14.60 million in FY16, compared to \$23.10 million in FY15. The integration and infrastructure revenue generated in FY15 was primarily as a result of infrastructure revenue generated from Afterpay, which totalled \$13.0 million.
- 5.24 Integration and infrastructure revenue in FY16 was primarily generated in HY1 16 from infrastructure revenue of \$11.05 million from Change Up. Whilst Touchcorp undertakes ongoing integration work for customers, the large infrastructure fees generated in FY15 and FY16 were as a result of non-recurring work undertaken for incubator investments.
- 5.25 A significant amount of Touchcorp's revenue is attributable to the large non-recurring infrastructure fees generated from incubator investments. In order to maintain the historic levels of profitability, and, in the absence of higher recurring revenue or alternative revenue streams, growth in Touchcorp is currently dependent upon the delivery of further incubator investments.
- 5.26 Touchcorp's gross profit margin increased from 78% in FY14 to 83% in FY15, and decreased to 71% in FY16 primarily due to the decrease in infrastructure revenue.
- 5.27 Touchcorp's operating expenses primarily comprised of:
- Employee benefits;
 - Customer development expenses; and
 - General and administrative expenses.
- 5.28 Employee benefits comprised of wages and salaries, and increased from \$6.0 million (FY15) to \$8.5 million (FY16). The increase primarily occurred in HY2 16, where HY2 16's employee benefits rose from \$3.5 million to \$5.0 million. The increase is attributable to an increase in staff headcount from 93 (FY15) to 103 (HY1 16) and to 133 (HY2 16), largely required to service the Afterpay account. Additional sales representatives have also been recruited to generate new business.
- 5.29 Customer development expenses related to business development fees, access fees or rebates paid to parties with whom Touchcorp seeks to co-operate to increase the number of transactions and/or obtain new business.
- 5.30 The \$3.57 million of capital raising expenses in FY15 relate to the listing of Touchcorp in March 2015.
- 5.31 General and administrative expenses increased from \$4.56 million (FY15) to \$5.82 million (FY16). The increase primarily occurred in HY2 16, where HY2 16's general and administrative expenses as a percentage of revenue was 23% compared to 11% in HY1 16.
- 5.32 As at 31 December 2016, Touchcorp owned 27.7% of Afterpay on an undiluted basis (25.4% on a fully diluted basis). In FY15, Touchcorp acquired 10 million Afterpay shares, representing a 35.7% interest in Afterpay. During FY16, Afterpay undertook an IPO and subsequent capital raising. Touchcorp did not participate in these equity raisings, and consequently, Touchcorp's interest in Afterpay was reduced from 35.7% to 27.8% (equating to 50 million shares after the share split). As a result, there has been a gain on the deemed disposal of this interest recorded in the financial statements. Touchcorp's holding in Afterpay is accounted for using the equity methodology.

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Financial position

5.33 Below sets out the audited consolidated financial position of Touchcorp as at 31 December 2015 and 31 December 2016, together with the reviewed consolidated financial position as at 30 June 2016.

Touchcorp Limited Financial position	Ref	As at 31-Dec-15 Audited \$'000	As at 30-Jun-16 Reviewed \$'000	As at 31-Dec-16 Audited \$'000
ASSETS				
Current assets				
Cash and cash equivalents	5.28	9,496	3,237	27,746
Trade and other receivables		13,096	23,089	11,867
Other current assets	5.33	9,572	8,856	9,474
Total current assets		32,163	35,182	49,087
Non-current assets				
Deferred tax assets	5.34	7,723	5,385	4,223
Property, plant and equipment		2,100	2,269	2,894
Intangible assets	5.35	10,796	13,787	16,135
Prepayments		-	1,875	1,625
Investment in Afterpay	5.36	6,228	11,908	20,489
Investment in Change Up	5.37	-	-	5,000
Total non-current assets		26,846	35,224	50,366
Total assets		59,010	70,406	99,453
LIABILITIES				
Current liabilities				
Trade and other payables		(13,700)	(14,255)	(15,804)
Unearned income		(79)	-	(276)
Annual leave provision		(818)	(933)	(807)
Long service leave provision		(324)	(356)	(341)
Total current liabilities		(14,920)	(15,545)	(17,228)
Non-current liabilities				
Long service leave provisions		(70)	(97)	(96)
Total non-current liabilities		(70)	(97)	(96)
Total liabilities		(14,990)	(15,641)	(17,325)
NET ASSETS	5.32	44,019	54,765	82,129
EQUITY				
Issued share capital		58,491	58,540	83,440
Retained earnings		(14,548)	(4,629)	(2,976)
Reserves		76	654	1,665
TOTAL EQUITY		44,019	54,565	82,129

Note that net assets is \$200,000 greater than total equity as at 30 June 2016 as disclosed in the HY16 reviewed financial statements.

Table 5.4: Financial position of Touchcorp (Source: Touchcorp financial statements)

5.34 Touchcorp's net assets as at 31 December 2016 totalled circa \$82.13 million, representing a significant increase of circa \$27.36 million (62%) from 30 June 2016. The increase is primarily attributable to the cash raised from the issue of share capital on 29 September 2016 for working capital to execute its growth objectives.



- 5.35 Other current assets as at 31 December 2016 primarily comprised of:
- Prepaid expenses (\$6.15 million) which include prepayments for operational expenditure and prepaid rebates to key customers; and
 - Prepaid electronic PINS (\$2.49 million) which are purchased from suppliers to sell to customers in the retail services business segment. Unutilised or expired PINS are returned to suppliers at face value.
- 5.36 Deferred tax assets as at 31 December 2016 consisted primarily of carried forward tax losses (\$5.68 million) and research and development offsets (\$7.25 million).
- 5.37 Intangible assets as at 31 December 2016 primarily related to the underlying core technology of the Touch System Platform, which are developed (\$12.14 million) and under development (\$3.85 million), stated at cost.
- 5.38 As set out in paragraph 5.32 the increase in the Afterpay investment on the balance sheet is due to the gain on the deemed disposal of this interest as Touchcorp's interest reduced from 35.7% to 27.8%.
- 5.39 As at 31 December 2016, Touchcorp owned 10 million shares in Change Up, representing a 15.3% interest. The shares in Change Up were issued as part payment for services provided by Touchcorp to Change Up. The shares of Change Up are privately held and are not listed on any third party public exchange. The Fair Value of these shares was determined by reference to prices paid by other participants for the same class of shares as part of Change Up's capital raising activities.

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Capital structure

5.40 The top 20 shareholders of Touchcorp hold 69.0% of the issued share capital of the Company (prior to the issue of shares 400,000 shares on 21 April 2017 (refer 5.43) as summarised in the table below:

Touchcorp Limited Shareholders	Ref	Number of shares '000	Percentage of total
J P Morgan Nominees Australia Ltd		33,828	25.7%
ATC Capital Pty Ltd		15,600	11.9%
Citicorp Nominees Pty Ltd		6,364	4.8%
Adrian Cleeve		5,000	3.8%
ICMNZ Ltd		4,096	3.1%
HSBC Custody Nominees (Australia) Ltd		3,973	3.0%
Mr Michael Jefferies & Mrs Julie Jefferies <Jefferies Super Fund A/C>		2,999	2.3%
HSBC Custody Nominees (Australia) Ltd - A/C2		2,664	2.0%
Cleevecorp Pty Ltd		2,327	1.8%
USB Nominees Ltd		2,118	1.6%
Mr Michael Leslie Jefferies		2,000	1.5%
National Nominees Limited		1,726	1.3%
Citicorp Nominees Pty Ltd <Colonial First State INV A/C>		1,594	1.2%
BNP Paribas Noms Pty Ltd <DRP>		1,429	1.1%
Mrs Julie Anne Jefferies		1,365	1.0%
JH Nominees Australia Pty Ltd <Harry Family Super Fund A/C>		1,300	1.0%
Mr Anthony John Huntley		800	0.6%
Jasforce Pty Ltd		592	0.5%
Number of Newco shares on issue on an undiluted basis		540	0.4%
Invia Custodian Pty Limited		449	0.3%
Top 20 shareholders		90,764	69.0%
Remaining shareholders		40,740	31.0%
Total shares on issue		131,504	100.0%
New Touchcorp shares issued 21 April 2017	5.43	400	
Total shares on issue prior the Scheme		131,904	

Table 5.5: Touchcorp top 20 shareholders (Source: Management information)

- 5.41 On the 29 September 2016 Touchcorp raised capital of \$25,600,000 through the issue of 12,800,000 shares at a share price of \$2.00.
- 5.42 The share placement was undertaken to provide Touchcorp with sufficient working capital to execute its growth objectives and achieve its strategic initiatives over the near term.
- 5.43 On 21 April 2017, Touchcorp issued 400,000 shares for \$1.42 per share to senior employees of Touchcorp under the Company's long term incentive plan. The consideration for the shares of \$568,000 was settled by way of a loan.



Share price performance

5.44 A summary of Touchcorp's recent share price movement is set out in the figure below.

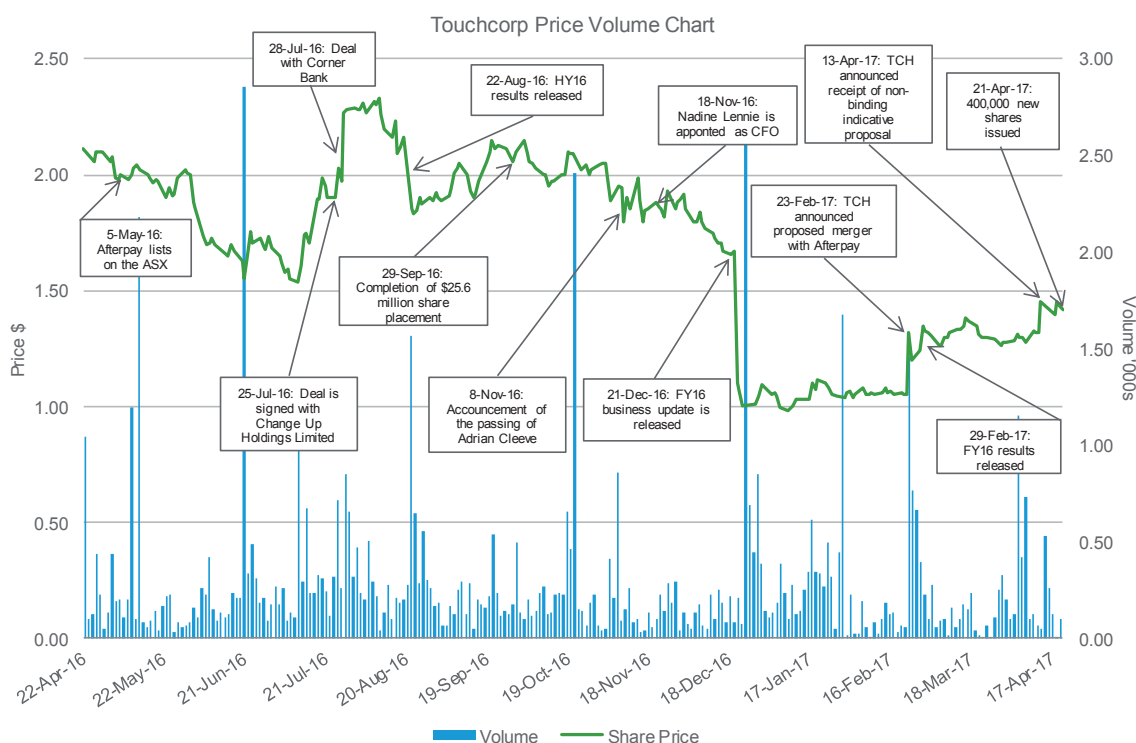


Figure 3: Touchcorp's 12 month share trading history (Source: S&P Capital IQ)

5.45 We make the following comments with regard to Touchcorp's recent share price performance:

- On 29 March 2016, Afterpay, announced its IPO and lodged its prospectus with ASIC.
- On 15 April 2016, Afterpay lodged its replacement prospectus with ASIC.
- On 5 May 2016, Afterpay listed on the ASX. At that time, Touchcorp was the largest shareholder of Afterpay with 50 million shares representing circa 30% of its issued share capital.
- On 25 July 2016, Touchcorp announced that it had signed a software development and transactions services agreement with Change Up. The share price increased from \$1.91 to \$2.27 between 25 July 2016 and 28 July 2016.
- On 28 July 2016, Touchcorp launched a secure online recharge platform for two key payment products for Switzerland's Cornèr Bank; Touchcorp stated that it expected Cornèr Bank to grow to be a significant revenue stream in FY17 and beyond. The share price increased from \$2.27 to \$2.33 between 28 July 2016 and 10 August 2016.
- On 22 August 2016, Touchcorp released its HY1 16 results. Touchcorp disclosed an operating profit before interest and tax of \$6.6 million for the six months ended 30 June 2016. The share price fell from \$1.85 to \$1.83 between 22 August 2016 and 23 August 2016.
- On 29 September 2016, Touchcorp raised \$25.6 million through a placement of 12.8 million ordinary shares at \$2.00.
- On 8 November 2016, Touchcorp announced the passing of Managing Director, Adrian Cleeve.
- On 18 November 2016, Touchcorp appointed Ms Nadine Lennie as Chief Financial Officer.

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- On 21 December 2016, Touchcorp released a business update for FY16. It announced that revenue was expected to be in the range of \$36 million to \$38 million down on FY15 revenue of \$42 million. Profit before tax was expected to be in the range of \$14 million to \$16 million (FY15: \$8 million), including a \$14 million realised gain from its shareholding in Afterpay. The share price fell from \$1.67 to \$1.01 between 20 December 2016 and 23 December 2016.
- On 23 February 2017, Touchcorp announced that it had signed a heads of agreement relating to a proposed merger with Afterpay.
- On 29 February 2017, Touchcorp released its FY16 results. Touchcorp disclosed a decrease in profit before interest and tax of \$11.5 million to \$664,000 for the year ended 31 December 2016 compared to FY15.
- On 13 April 2017, Touchcorp announced that the Company had received a confidential, conditional, unsolicited, indicative and non-binding expression of interest to acquire the Company's operating assets, excluding surplus cash and its shareholding in Afterpay.
- On 21 April 2017, Touchcorp issued 400,000 shares at \$1.42 per share to senior employees under the Company's long term incentive plan, for a total consideration of \$568,000, settled by way of a loan to employees.
- During the 180 trading days before the proposed Scheme was announced on 23 February 2017, Touchcorp's closing share price moved between a low of \$0.98 and a high of \$2.33. The total volume of shares traded over this period was 50,491,000, representing 40.45% of issued capital.

6. Profile of Afterpay

Overview

- 6.1 Afterpay is a technology driven payments company incorporated in 2015, in Australia, and was admitted to ASX's official list in May 2016.
- 6.2 Afterpay facilitates commerce between retail merchants and their end-customers by providing a service and software infrastructure ("Afterpay System") that allows retail merchants to offer their end-customers the ability to buy products and services on their web sites on a "buy now, receive now, pay later" basis without the end-customer having to:
- Apply for or enter into a traditional credit plan;
 - Pay an additional amount (by way of interest, or any upfront fees) for the merchant's products; or
 - Provide extensive personal information that would likely cause delay or failure to complete a purchase.
- 6.3 Afterpay pays the retail merchant the purchase value upfront and recoups the same from the end-customer usually in four equal, fortnightly instalments. Accordingly, Afterpay assumes all end-customer credit risk.
- 6.4 Afterpay generates revenue primarily from transaction fees paid by its retail merchant clients ("Afterpay Merchant Fees"), which are generated on each order placed by the end-customer through the Afterpay System and are primarily based on a percentage of the end-customer order value plus a fixed per transaction fee.
- 6.5 As set out in paragraph 5.11 the Afterpay System was developed by Touchcorp .
- 6.6 Touchcorp also processes all of Afterpay's transactions for an ongoing fee.
- 6.7 Afterpay's current directors are:
- **Anthony Eisen (Executive Chairman)**
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 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;
 - **Nicholas Molnar (Managing Director)**
Nicholas has experience in online retail, having launched the American online jeweller, Ice.com, into Australia under the local brand Iceonline.com.au. 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;
 - **David Hancock (Non-Executive Director)**
David was appointed an independent non-executive director in March 2016. David has over 25 years of broad experience in financial services. This experience includes being Executive General Manager at the Commonwealth Bank of Australia, with a variety of roles including capital markets, fixed income and equities. Prior to that he served in senior investment banking roles at JPMorgan where he was a Managing Director with responsibilities in New Zealand, Australia and Asia across various operations in Debt and Equity Markets. He has served on a number of boards and is currently a director and advisor to Tower Insurance Limited and a board member of the Insurance Council of New Zealand;
 - **Clifford Rosenberg (Non-Executive Director)**
Clifford has spent more than 20 years working at digital companies both as an entrepreneur and senior executive. Clifford has been a senior executive at LinkedIn for six and half years and currently serves 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, a large 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 and Pureprofile Ltd. Clifford has a Bachelor of Business Science (Honours) degree and a Master of Science in management.; and

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Financial performance

6.8 The table below sets out Afterpay's audited consolidated financial performance for the two years ended 30 June 2016 and reviewed consolidated financial performance for the half-year ended 31 December 2016 ("HY17").

Afterpay Holdings Limited Financial performance	Ref	FY15 Audited 30-Jun-15 \$'000	FY16 Audited 30-Jun-16 \$'000	HY17 Reviewed 31-Dec-16 \$'000
Total sales	6.9	24	1,383	6,011
Cost of sales		(5)	(258)	(1,179)
Gross profit		19	1,125	4,832
<i>Gross profit margin</i>		80%	81%	80%
Other income	6.10	3	289	1,198
Operating expenses				
Share based payments expense	6.11	-	(153)	(526)
Employee benefits	6.11	-	(1,229)	(1,888)
Bad and doubtful debts	6.11	(7)	(567)	(1,905)
Consulting costs		(7)	(213)	(330)
Advertising		(7)	(136)	(366)
Corporate & compliance expenses		(13)	(94)	(258)
Bank fees		-	-	(251)
General and administrative		(29)	(710)	(1,190)
Total operating expenses		(62)	(3,102)	(6,713)
EBITDA		(39)	(1,688)	(683)
<i>EBITDA margin</i>		(165%)	(122%)	(11%)
Depreciation and amortisation		-	(2,171)	(1,364)
EBIT		(39)	(3,859)	(2,047)
<i>EBIT margin</i>		(165%)	(279%)	(34%)
Interest paid		-	-	(30)
Interest received		-	169	210
Net profit before tax		(39)	(3,690)	(1,867)
Income tax expense		-	138	478
Net profit after tax		(39)	(3,552)	(1,389)

Table 6.1: Afterpay financial performance (Source: Afterpay financial statements)

- 6.9 Total sales increased significantly in the year ended 30 June 2016 and HY17. The growth in sales was due to strong growth with merchant and end-customer take-up of its "Buy Now, Receive Now, Pay Later" Pay By Instalment service, particularly by Australian online retailers that have integrated the Afterpay platform into their online retail offering.
- 6.10 Other income comprises of late fee charges from end-customers, and has increased proportionally with the growth in revenue.
- 6.11 Operating expenses as a percentage of revenue has decreased in HY17. This is due to the relatively fixed nature of operating costs. We note the following relating to operating expenses:
- The increase in bad and doubtful debts is proportionate to the increase in the receivables balance;
 - employee benefits expense growth was driven by an increase in headcount; and
 - share based payments represents amortised long term employee compensation (non-cash).

Financial position

- 6.12 The table below sets out a summary of the financial position of Afterpay as at 30 June 2015, 30 June 2016, and 31 December 2016.

Afterpay Holdings Limited Financial position	Ref	As at 30-Jun-15 Audited \$'000	As at 30-Jun-16 Audited \$'000	As at 31-Dec-16 Reviewed \$'000
ASSETS				
Current assets				
Cash and cash equivalents		4	19,723	27,740
Other financial asset	6.16	-	-	3,254
Trade receivables	6.14	279	7,230	38,798
Prepayments and other receivables	6.15	299	568	2,514
Total current assets		582	27,521	72,307
Non-current assets				
Deferred tax assets		-	609	1,556
Property, plant and equipment		-	28	71
Intangible assets	6.18	3,000	10,833	10,937
Total non-current assets		3,000	11,471	12,564
TOTAL ASSETS		3,582	38,992	84,870
LIABILITIES				
Current liabilities				
Trade and other payables	6.19	(3,579)	(871)	(4,545)
Employee leave provisions		-	(57)	(115)
Amounts due to directors		(50)	-	-
Interest-bearing borrowings	6.17	-	-	(8,095)
Total current liabilities		(3,629)	(928)	(12,755)
Non-current liabilities				
Long service leave provisions		-	(3)	(11)
Total non-current liabilities		-	(3)	(11)
TOTAL LIABILITIES		(3,629)	(931)	(12,766)
NET ASSETS	6.13	(47)	38,061	72,104
EQUITY				
Issued share capital		-	41,507	76,513
Retained earnings		(47)	(3,599)	(4,989)
Reserves		-	153	579
TOTAL EQUITY		(47)	38,061	72,104

Table 6.2: Financial position of Afterpay (Source: Afterpay financial statements)

- 6.13 Afterpay's net assets as at 31 December 2016 totalled \$72.10 million, representing a significant increase of circa \$34.04 million (89%) from 30 June 2016. This is primarily attributable to the cash raised from the issue of share capital on 18 October 2016.
- 6.14 Trade receivables as at 31 December 2016 increased by circa \$31.57 million (437%) from 30 June 2016 as a result of an increase in transactions over that period.
- 6.15 Prepayments and other receivables as at 31 December 2016 increased by circa \$1.95 million (343%) from 30 June 2016.

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- 6.16 Other financial assets as at 31 December 2016 of circa \$3.25 million comprised of cash held in Afterpay's trust for the purposes of repayment of Afterpay's secured interest-bearing borrowings and payment of interest and bank fees associated to that borrowing.
- 6.17 Interest-bearing borrowings, have been drawn under a 12 month revolving facility. The facility is secured against trade receivables with a carrying value of circa \$36.75 million as at 31 December 2016 and carry an interest rate of 4.66% per annum.
- 6.18 Intangible assets as at 30 June 2016 primarily relate to a development fee paid to Touchcorp for building the Afterpay System, which continues to be maintained and developed by Touchcorp under a Software Development and License Agreement. The development fee paid totalled \$13 million, comprising \$3 million in cash and \$10 million in Afterpay shares (at \$1 per share).
- 6.19 Trade payables increased to circa \$4.55 million as at 31 December 2016 from circa \$871,000 at 30 June 2016.

Capital structure

- 6.20 Afterpay has the following unlisted options and performance rights on issue at the date of this Report.

Number of options	Exercise price \$	Expiry date	Cash value \$
10,025,000	0.20	31-Dec-20	2,005,000
700,000	0.20	31-Dec-20	140,000
3,600,000	1.00	31-Dec-20	3,600,000
900,000	2.30	31-Dec-20	2,070,000
170,000	2.23	31-Dec-20	379,100
70,000	2.71	31-Dec-20	189,700
600,000	2.32	31-Dec-20	1,392,000
16,065,000	-	-	9,775,800
Performance rights:			
155,000	-	-	-
16,220,000			9,775,800

Table 6.3: Afterpay Options (Source: ASX announcements)

- 6.21 Afterpay's current issued employee options and performance rights are proposed to be acquired by ATG and replaced with new options or rights as applicable in ATG.



Share price performance

6.22 A summary of Afterpay's recent share price movement is set out in the figure below.

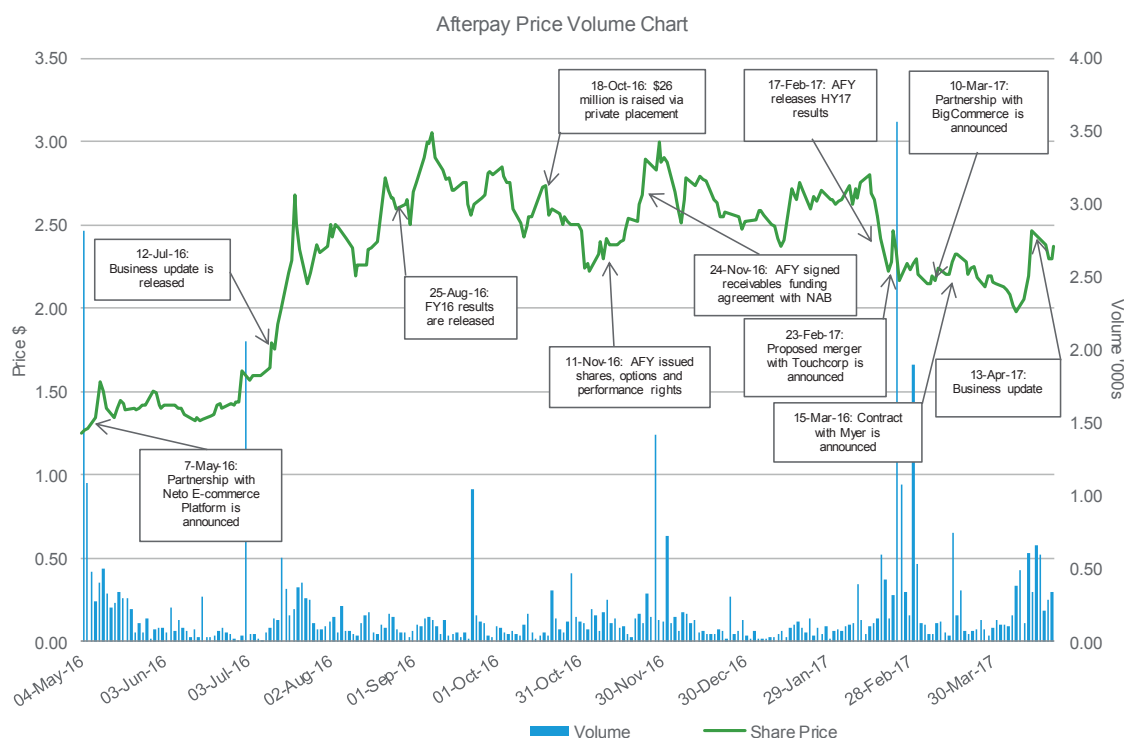


Figure 5: Afterpay's 12 month share trading history (Source: S&P Capital IQ)

6.23 We make the following comments with regard to Afterpay's recent share price performance:

- On 4 May 2016, Afterpay listed on the ASX.
- On 7 May 2016, Afterpay announced its partnership with Telstra's Neto E-Commerce Platform, an end-to-end e-commerce platform.
- On 12 July 2016, Afterpay provided the market with a business update, disclosing a 140% increase in merchant clients from 31 March 2016. The share price increased from \$1.79 to \$2.68 between 12 July 2016 and 20 July 2016.
- On 25 August 2016, Afterpay released its FY16 results. Afterpay disclosed an operating loss before interest and tax of \$3.9 million for FY16, compared with an operating loss before interest and tax of \$39,000 for FY15.
- On 18 October 2016, Afterpay raised \$36 million via a placement of 15,000,000 ordinary shares at \$2.40 per share to sophisticated and institutional shareholders. The share price fell from \$2.73 to \$2.50 between 18 October 2016 and 31 October 2016.
- On 11 November 2016, Afterpay issued shares, options and performance rights of 250,000, 1,740,000 and 155,000, respectively. The share price increased from \$2.38 to \$2.52 between 11 November 2016 and 21 November 2016.
- On 22 November 2016, Afterpay announced its partnership with the Country Road Group. The Country Road Group is a specialty fashion and lifestyle group with a strong retail and online presence in Australia.
- On 24 November 2016, Afterpay announced that it had signed an agreement with NAB to provide a secured receivables funding facility for \$20 million.

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- On 29 November 2016, Afterpay announced that it had signed a contract with the Super Retail Group, a large Australian retail group.
- On 8 February, Afterpay announced its partnership with an Australian independent EFTPOS provider, Tyro Payments.
- On 17 February 2017, Afterpay released its HY17 results. Afterpay disclosed an operating loss before interest and tax of \$2.0 million for the 6 months ended 31 December 2016, compared with an operating loss before interest and tax of \$1.3 million for the 6 months ended 31 December 2015.
- On 23 February 2017, it was announced that Afterpay had signed a heads of agreement with Touchcorp relating to a proposed Scheme.
- During March 2016, Afterpay announced partnership contracts with Myer, a national Australian retailer; and BigCommerce, a global ecommerce platform; offering Afterpay access into new demographics, retail product verticals and expanding its online retail reach.
- On 30 March 2017, Afterpay announced that the due diligence investigations and contractual negotiations in relation to the proposed merger had concluded and a formal Merger Implementation Agreement had been entered into.
- On 10 April 2017, Afterpay announced that it had executed a contract with Officeworks for Officeworks to offer Afterpay's "buy now, receive now, pay later" services to its online customers.
- On 13 April 2017, Afterpay provided a business update to the market. The update included Q3 FY2017 trading highlights. The announcement included commentary that annualised underlying retail sales through the Afterpay platform are estimated to be greater than \$700 million. Afterpay also announced that it had scaled up its NAB banking facility in line with the continued growth trajectory.



7. Valuation methodologies

- 7.1 In assessing the value of a Touchcorp share prior to the Scheme, and the Scheme Consideration we have considered a number of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow (“DCF”) methodology and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- 7.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:
- Market based methodology;
 - Income based methodology; and
 - Asset based methodology.

Market based methods

- 7.3 Market based methodologies estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methodologies include:
- the quoted price for listed securities;
 - recent capital raisings; and
 - industry specific methodologies.
- 7.4 The recent quoted price for listed securities methodology provides evidence of the Fair Value of a company’s securities where they are publicly traded in an informed and liquid market. Recent capital raisings can also provide evidence of investors’ assessment of the Fair Value of a company’s securities.
- 7.5 Industry specific methodologies usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the Fair Value of a company than other market based valuation methodologies because they may not account for company specific risks and factors.

Income based methodologies

- 7.6 Income based methodologies estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methodologies include:
- discounted cash flow methodologies; and
 - capitalisation of maintainable earnings.
- 7.7 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast period. This methodology of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 7.8 The capitalisation of maintainable earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

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Asset based methodologies

- 7.9 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methodologies include:
- orderly realisation of assets methodology;
 - liquidation of assets methodology; and
 - Net assets on a going concern basis.
- 7.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of a company's assets, which would be distributed to security holders after payment of all liabilities including realisation costs and taxation charges, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.11 The liquidation of assets methodology is similar to the orderly realisation of assets methodology except the liquidation methodology assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets methodology will result in a value that is lower than the orderly realisation of assets methodology, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.
- 7.12 The net assets on a going concern methodology estimates the net assets market values but unlike the orderly realisation of assets methodology, it does not include realisation costs. Asset based methodologies are appropriate when companies are not profitable (or their profitability does not justify a valuation in excess of the market value of their assets), a significant proportion of the company's assets are liquid, or for asset holding purposes.

8. Selection of valuation methodologies

Valuation of a Touchcorp share prior to the Scheme (on a controlling basis)

- 8.1 In assessing the Fair Value of a Touchcorp share prior to the Scheme, we have utilised the net assets on a going concern as our primary methodology.
- 8.2 In our assessment of Touchcorp utilising the net assets as a going concern methodology, we have taken into account the Fair Value of Touchcorp's interest in its incubator investments, Afterpay and Change Up.
- 8.3 We have considered the quoted price of listed securities methodology to crosscheck the results obtained from our primary methodology. Prices at which a company's shares have been traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.
- 8.4 RG 111.69 indicates that for the quoted price of listed securities methodology to represent a reliable indicator of Fair Value, there needs to be an active and liquid market for the shares.
- 8.5 The following characteristics may be considered to be representative of a liquid and active market:
- regular trading in the company's securities;
 - approximately 1% of a company's securities are traded on a weekly basis;
 - the bid/ask spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of the company; and
 - there are no significant but unexplained movements in the share price.
- 8.6 Notwithstanding the moderate liquidity of Touchcorp shares, the Company does comply with the full disclosure regime required by ASX, and as a result, the market is fully informed about Touchcorp's performance. We therefore, consider that the quoted price of listed securities methodology provides a reasonable cross check to our primary methodology.
- 8.7 In accordance with RG 111, we have assessed Touchcorp's share value prior the Scheme using the above two methodologies on a controlling interest basis.
- 8.8 In our assessment of an appropriate valuation methodology for Touchcorp, we have considered the applicability of the capitalisation of FME methodology. The capitalisation of FME is an appropriate methodology if the earnings of a business are regular, maintainable, and sufficient to justify a value exceeding that of the underlying assets.
- 8.9 We have discounted this methodology for the following reasons:
- Touchcorp's earnings at the EBIT level have fluctuated significantly over the last three years, \$6.64 million (FY14), \$12.12 million (\$15.69 million excluding capital raising costs) (FY15), and \$0.66 million (FY16).
 - Earnings dropped significantly from FY15 to FY16, and in HY2 16 Touchcorp incurred a loss of circa \$3.77 million and \$5.96 million at an EBITDA and EBIT level respectively. The decline in the profitability of Touchcorp is primarily attributable to the absence of infrastructure fee revenue in HY2 16.
 - A significant amount of Touchcorp's revenue in FY15, FY16 and HY1 16 was attributable to the large non-recurring infrastructure fees generated from incubator investments. In FY15 and FY16 Touchcorp generated non-recurring revenue of \$13.0 million and \$11.05 million from the Afterpay and Change Up incubator investments, respectively. In order to maintain the historic levels of profitability, Touchcorp is currently dependent upon the future delivery of similar incubator investments. Based on our discussions with Management, we understand that, whilst it is the intention of Management to identify and execute incubator and integration projects, there are limited opportunities currently available over the near term.
 - Touchcorp continues to invest in its software to maintain its market position. Therefore depreciation and amortisation is considered to be representative of an on-going cash cost. On this basis, it would be most appropriate to base a FME calculation at an EBIT level rather than an EBITDA level.
 - We note that the Company's cost base increased in HY2 16, primarily due to increased employee costs and administrative costs. Our discussions with Management indicate that significant cost reductions, particularly headcount, would reduce the Company's ability to generate and service new business.

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- Taking into consideration our analysis of Touchcorp's recent financial performance, discussions with Management and the forecast financial information provided to us, it is our opinion that, in the absence of integration and infrastructure fees of a comparable level to FY15 and HY1 16, the likely EBIT to be generated with the Company's current cost base is insufficient to justify a value exceeding its underlying assets.
- 8.10 Management has not prepared long term cash flow projections, and on this basis, we have not utilised the DCF methodology to value Touchcorp.
- 8.11 Furthermore, we have given consideration to the Alternative Proposal and, for the reasons set out in paragraphs 2.32 to 2.38, we have adopted the net assets on a going concern as our primary methodology and the quoted price of listed securities methodology as a crosscheck.

Valuation methodology for Afterpay

- 8.12 In assessing the value of Touchcorp's interest in Afterpay, we have utilised the quoted price of listed securities methodology as our primary methodology for the following reasons:
- Afterpay is still in its start-up phase and growth is unpredictable;
 - the business is yet to generate a profit;
 - assets primarily comprise of cash, debtors and intangible assets; and
 - long term cash flow projections have not been provided.
- 8.13 At the date of this Report, Touchcorp holds a 26% interest (on a fully diluted basis) in Afterpay, which provides certain rights, including the ability to block special resolutions. On this basis, we consider that a small control premium should be added to the value of Touchcorp's interest.
- 8.14 Touchcorp's interest in Afterpay is escrowed until May 2018, and therefore, a discount for lack of marketability should be applied. We have quantified a restrictive stock discount using the Mercer Approach (See Appendix 4).
- 8.15 We have considered recent capital raisings to crosscheck the results obtained from our primary methodology.

Valuation methodology for Change Up

- 8.16 In assessing the value of Touchcorp's interest in Change Up, we have had regard to the Company's recent capital raising as our primary methodology, for the following reasons:
- Change Up is yet to generate a revenue stream and its growth is unpredictable;
 - the shares of Change Up are privately held;
 - assets comprise primarily of intangible assets; and
 - cash flow projections have not been provided.

Valuation of the Consideration offered per Touchcorp Share immediately after the Scheme

- 8.17 To assess the fairness of the Scheme, we have assessed the value of the Scheme Consideration by assessing the estimated value of an ATG share immediately after the implementation of the Scheme. The value of ATG is based on the combined Fair Values of Touchcorp and Afterpay immediately following the Scheme, and adjusted for a minority interest discount to reflect the fact that the approval of the Scheme will result in Shareholders of Touchcorp acquiring a 36% (on a fully diluted basis) interest in ATG.
- 8.18 On the basis that Shareholders are being offered 0.64 of an ATG share per one fully paid ordinary Touchcorp share, the assessed value per share in ATG has been adjusted by this ratio in the calculation of the value of the Scheme Consideration. .

9. Valuation of Touchcorp prior to the Scheme

Net Assets on a going concern basis

- 9.1 The table below sets out our assessment of Touchcorp's Fair Value on a controlling basis based on the Company's net assets as at 31 December 2016, after adjusting for the Fair Value of Touchcorp's interest in Afterpay:

Touchcorp Limited Net assets on a going concern valuation	Ref	Low \$'000	High \$'000
Net assets as at 31 December 2016	9.2	82,129	82,129
Adjustments:			
Add: Long term incentive plan loan	9.3	568	568
Less investment in Afterpay at carrying value		(20,489)	(20,489)
Net asset valuation excl. investments		62,207	62,207
Fair value of interest in Afterpay	9.6	97,125	112,750
Net asset valuation of Touchcorp		159,332	174,957
Number of Touchcorp shares on issue	5.37	131,904	131,904
Assessed value per share		\$1.21	\$1.33

Table 9.1: Fair Value of Touchcorp Shares (Prior to the Scheme) (Source: Touchcorp financial statements and RSM analysis)

- 9.2 Net assets are inclusive of \$16.14 million of intangible assets, comprising primarily of the underlying core technology of the Touch System Platform (developed and under development). The Touch system platform is a key component of Touchcorp's business and a primary contributor of revenue.
- 9.3 On 21 April 2017, Touchcorp issued 400,000 shares at \$1.42 per share to senior employees under the Company's long term incentive plan, for a total consideration of \$568,000, settled by way of a loan to employees.
- 9.4 As at 31 December 2016, Touchcorp owned 10 million shares in Change Up, representing a 15.3% interest. The shares in Change Up were issued as part payment for services provided by Touchcorp to Change Up. The shares of Change Up are privately held and are not listed on any third party public exchange.
- 9.5 The Fair Value of Touchcorp's interest in Change Up has been determined using the prices paid by other participants for the same class of shares as part of Change Up's capital raising activities, and is consistent with the valuation methodology utilised in Touchcorp's balance sheet as at 31 December 2016.
- 9.6 Our assessment of the Fair Value of Touchcorp's interest in Afterpay is set out below. The majority of Touchcorp's value is held in its interest in Afterpay (ranging from 61.0% to 64.4% on a controlling basis).

Valuation of Afterpay on a quoted price of listed securities methodology

- 9.7 The Fair Value of Touchcorp's shareholding in Afterpay has been assessed using the quoted price of listed securities methodology as follows:

Afterpay Fair value of interest shareholding	Ref	Low \$'000	High \$'000
Afterpay quoted market price - prior to Announcement	9.13	\$2.38	\$2.55
Discount for lack of marketability	9.14	(0.53)	(0.50)
Adjusted share price		\$1.85	\$2.05
Afterpay shares held by Touchcorp (000's)		50,000	50,000
Fair Value of interest in Afterpay (minority basis)		92,500	102,500
Premium for blocking stake	9.15	5%	10%
Fair Value of interest in Afterpay (controlling basis)		97,125	112,750

Source: S&P Capital IQ and RSM analysis

Table 9.2: Fair Value of interest in Afterpay (Prior to the Scheme) (Source: S&P Capital IQ and RSM analysis)

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- 9.8 Our assessment of Touchcorp's shareholding in Afterpay only reflects trading prior to the Announcement in order to avoid the influence of any movement in price that occurred as a result of the Announcement.
- 9.9 The table below sets out the VWAP of Afterpay shares at intervals over the 180 trading days prior to 23 February 2017:

Afterpay Share price performance	Share price low \$	Share price high \$	No. of days traded	Volume traded 000s	Value traded \$'000	VWAP \$	Percentage of issued capital %
Before the Announcement							
1 trading days before	2.46	2.46	1	319	784	2.46	0.18%
5 trading days before	2.22	2.55	5	1,658	3,938	2.38	0.92%
10 trading days before	2.22	2.80	10	2,470	6,120	2.48	1.37%
30 trading days before	2.22	2.80	29	4,111	10,470	2.55	2.28%
60 trading days before	2.22	2.90	56	6,306	16,273	2.58	3.50%
90 trading days before	2.22	3.00	86	12,776	33,382	2.61	7.12%
120 trading days before	2.22	3.05	115	16,121	42,460	2.63	9.16%
180 trading days before	1.32	3.05	175	25,711	62,687	2.44	14.92%

Table 9.3 – VWAP of Afterpay shares before the Announcement (Source: S&P Capital IQ and RSM calculations)

- 9.10 As set out in the table above, the VWAP of Afterpay's shares has ranged from \$2.38 to \$2.63 over the 180 trading days prior to the Announcement.
- 9.11 Shares were traded for 175 in the 180 days prior to the Announcement, and comprised 14.92% of the weighted issued share capital for the period.
- 9.12 Notwithstanding the low liquidity of the Company's shares, Afterpay complies with the full disclosure regime required by ASX. As a result, the market is fully informed about Afterpay's performance.
- 9.13 Based on the analysis of recent trading in Afterpay's shares, we have assessed the value of Afterpay's shares on a minority basis to be in the range of \$2.38 to \$2.55, being the 5-day and 30-day VWAP of an Afterpay share prior the Announcement.
- 9.14 Touchcorp's interest in Afterpay is escrowed until May 2018, and therefore, a discount for the lack of marketability should be applied. We have quantified this discount using the Mercer Approach (See Appendix 4).
- 9.15 The price of quoted securities is derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares). Touchcorp's 27.7% (25.4% on a fully diluted basis) interest in Afterpay provides additional rights, including the power to block special resolutions and, therefore, we consider the application a small control premium in the range of 5% to 10% to be appropriate.

Valuation of Afterpay based on recent capital raisings

- 9.16 To cross check the valuation of an Afterpay share, we have considered the share price at which recent capital raisings were undertaken.
- 9.17 Afterpay has issued the following shares in the past 12 months:

Date	Shares issued	Consideration \$	Price per share
18-Oct-16	15,000,000	36,000,000	2.40
11-Nov-16	250,000	600,000	2.40
	15,250,000	36,600,000	

Table 9.4: Afterpay shares issued in the last 12 months (Source: ASX announcements)

- 9.18 The issue price of \$2.40 per share, is within our assessment of the range of an Afterpay share of \$2.38 to \$2.55, and we consider is, therefore, supportive of our valuation utilising the quoted price of listed securities methodology.



Valuation of Touchcorp based on Quoted Price of Listed Securities methodology

- 9.19 To cross check the valuation of a Touchcorp share using the net assets on a going concern methodology, we have considered the Fair Value of a share based on Touchcorp's quoted market price.
- 9.20 The table below sets out the VWAP of Touchcorp shares at intervals over the 180 trading days prior to 23 February 2017:

Touchcorp Share price performance	Share price low \$	Share price high \$	No. of days traded	Volume traded 000s	Value traded \$'000	VWAP \$	Percentage of issued capital %
<i>Before the Announcement</i>							
1 trading days before	1.05	1.05	1	55	58	1.05	0.04%
5 trading days before	1.05	1.07	5	426	450	1.06	0.32%
10 trading days before	1.05	1.08	10	824	874	1.06	0.63%
30 trading days before	1.03	1.12	29	6,790	7,223	1.06	5.16%
60 trading days before	0.98	1.92	56	15,275	17,512	1.15	11.62%
90 trading days before	0.98	2.09	86	22,539	31,893	1.42	17.22%
120 trading days before	0.98	2.15	115	29,112	45,300	1.56	22.59%
180 trading days before	0.98	2.33	175	50,491	85,641	1.70	40.45%

Table 9.5: VWAP of Touchcorp shares before the Announcement (Source: S&P Capital IQ and RSM calculations)

- 9.21 As set out in the tables above, the VWAP of Touchcorp's share has ranged from \$1.05 to \$1.70 over the 180 trading days prior to the Announcement.
- 9.22 Shares were traded for 175 in the 180 days prior to the Announcement, and comprised 40.45% of the weighted issued share capital for the period.
- 9.23 On the 21 December 2016, 52 days prior to the Announcement, Touchcorp released a business update to the market, which resulted in a share price decline from \$1.67 as at 22 December 2016 to a low of \$0.98 as at 9 January 2017.
- 9.24 Based on the analysis of recent trading in Touchcorp's shares, we have assessed the value of a Touchcorp share on a minority basis to be 1.06, being the 5, 10 and 30-day VWAP of a Touchcorp share prior the Announcement.
- 9.25 The value above is indicative of the value of a marketable parcel of shares assuming a shareholder does not have control of Touchcorp. RG 111 states the independent expert should calculate the value of a target's shares as if 100% control were being obtained. Therefore, in our assessment of a Touchcorp share's Fair Value, we should include a premium for control.
- 9.26 According to the RSM Control Premium Study 2010 and 2013, premiums for control are considered to range from 25% to 35%, which are applied at the equity value level.
- 9.27 We have adopted a control premium range of 20% to 25% for Touchcorp at the equity level, having regard to the significant level of cash on the balance sheet as at 31 December 2016 as we do not consider an acquirer would pay a premium for this cash.
- 9.28 The table below sets out our assessment of a Touchcorp share's value on a controlling basis utilising the Quoted Price of Listed Securities methodology.

Touchcorp Quoted price of listed securities methodology	Low \$	High \$
Quoted market price (minority basis)	1.06	1.06
Control premium	20%	25%
Value of Touchcorp share (controlling basis)	1.27	1.33

Table 9.6: Assessed Fair Value of a Touchcorp share prior the Scheme (Quoted Price of Listed Securities methodology) (Source: S&P Capital IQ and RSM analysis)

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9.29 A summary of our assessed values of a Touchcorp share prior to the Scheme is tabled below:

Touchcorp Valuation of cross check prior to the Scheme	Low \$	High \$
Net assets on a going concern - primary method	1.21	1.33
Quoted price of listed securities - cross check	1.27	1.33

Table 9.7: Valuation summary prior the Scheme (Source: RSM analysis)

- 9.30 We consider our valuation of a Touchcorp share prior the Scheme using the Quoted Price of Listed Securities methodology to be supportive of our valuation utilising the net assets as a going concern methodology.
- 9.31 We have also had regard for the recent capital raising undertaken by Touchcorp. On the 29 September 2016, Touchcorp issued 12,800,000 shares at a share price of \$2.00. The capital raise took place prior to the business update announced to the market on 21 December 2016, which disclosed a significant decline in revenue and profit from the prior year due to the fact that no incubator transactions were completed in the 6 months ended 31 December 2016. Around the time of the Announcement the share price declined from \$1.67 to \$1.01. On this basis, we do not consider the share issue price of \$2.00 to be representative of the current share price of Touchcorp.

10. Valuation of ATG immediately after the Scheme and assessment of the Scheme Consideration

- 10.1 As required by RG 111, in order to provide an indication of the Scheme Consideration, we have assessed the theoretical value of a share in ATG immediately after the Scheme.
- 10.2 The valuation of ATG is based on the Fair Value of Touchcorp utilising net assets on a going concern methodology as at the 31 December 2016 and the Fair Value of Afterpay utilising the quoted listed price prior to the Announcement.

Valuation of Scheme Consideration per share on an undiluted basis

- 10.3 The table below sets out our assessment of the value of the Scheme Consideration per share on an undiluted basis:

ATG	Ref	Low \$'000	High \$'000
Valuation on an undiluted basis			
Fair Value of Touchcorp:			
Net asset valuation of Touchcorp excluding carrying value of Afterpay (controlling basis)		62,207	62,207
Less deferred tax losses	10.4	(5,681)	-
		56,526	62,207
Discount for minority interest	10.5-6	(20%)	(17%)
Net asset valuation of Touchcorp excl. carrying value of Afterpay and Touchcorp (minority basis)		45,221	51,839
Fair Value of Afterpay:			
Afterpay quoted market price - prior to Announcement	10.7	\$2.38	\$2.55
Afterpay total shares on issue		180,337	180,337
Fair value of Afterpay (minority basis)		428,301	459,290
Total Value of ATG (minority basis)		473,522	511,130
Total Value of ATG (minority basis)		473,522	511,130
Number of ATG shares on issue on an undiluted basis	4.3	214,755	214,755
Assessed value per share (minority basis)		\$2.20	\$2.38
Merger ratio		0.64	0.64
Assessed value of Scheme Consideration per share		\$1.41	\$1.52

Table 10.1: Scheme Consideration per share on an undiluted minority basis (Source: RSM analysis)

- 10.4 As at 31 December 2016, the deferred tax asset disclosed by Touchcorp included tax losses of \$5.68 million. A detailed assessment of the carrying value of these tax losses after the merger with Afterpay has not been undertaken. Accordingly, we have deducted the value of these tax losses from our assessment of the Fair Value of Touchcorp at the low end of the valuation range to reflect the risk that they may not be available to be utilised by ATG.
- 10.5 Our assessment of the value per share in ATG, immediately after the Scheme on an undiluted basis, reflects a minority interest discount.
- 10.6 In our assessment of the Fair Value of Touchcorp on a minority interest basis, we have adopted the inverse of a control premium of 20% to 25%, consistent with the control premium adopted in valuing a Touchcorp share prior to the Scheme using the quoted price of listed securities methodology.
- 10.7 The Fair Value of Afterpay has been assessed using the quoted price of listed securities methodology prior to the Announcement and, therefore, already includes a minority interest discount.

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Valuation of Scheme Consideration per share on a fully diluted basis

10.8 The table below sets out our assessment of the value of the Scheme Consideration per share on a fully diluted basis:

ATG		Low	High
Valuation on a fully diluted basis	Ref	\$'000	\$'000
Total Value of ATG on an undiluted basis (minority basis)		473,522	511,130
Cash raised from options (assumed all exercised)	10.9	9,776	9,776
Total Value of ATG (minority basis)		483,298	520,906
Number of ATG shares on issue on a diluted basis	10.10	230,975	230,975
Assessed value per share (minority basis)		\$2.09	\$2.26
Merger ratio		0.64	0.64
Assessed value of Scheme Consideration per share		\$1.34	\$1.44

Table 10.2: Scheme Consideration per share on a fully diluted minority basis (Source: RSM analysis)

10.9 As set out in paragraph 6.20, the cash value of Afterpay's share options equate to \$9.78 million.

10.10 As set out in paragraph 4.3, there will be 230,767,000 shares on issue in ATG on a fully diluted basis.

Conclusion

10.11 Based on the above, we consider the value of the Scheme Consideration per share to be in the range of \$1.41 to \$1.52 on an undiluted basis and \$1.34 to \$1.44 on a fully diluted basis.

11. Fairness and reasonableness assessment

Conclusion on fairness

11.1 In assessing whether we consider the Scheme to be fair to Shareholders, we have valued a share in Touchcorp prior to the Scheme and the value of the Scheme Consideration per share on an undiluted and fully diluted basis, to determine whether a Shareholder would be better or worse off should the Schemes be approved.

Valuation summary on an undiluted basis

11.2 Our assessed values are tabled below:

Valuation summary on an undiluted basis	Low \$	High \$
Fair value of Touchcorp per share prior to the Scheme (controlling basis)	1.21	1.33
Fair Value per share of Scheme Consideration (minority basis)	1.41	1.52

Table 11.1: Valuation Summary (Source: RSM analysis)

Valuation summary on a fully diluted basis

11.3 Our assessed values are tabled below:

Valuation summary on a fully diluted basis	Low \$	High \$
Fair value of Touchcorp per share prior to the Scheme (controlling basis)	1.21	1.33
Fair Value per share of Scheme Consideration (minority basis)	1.34	1.44

Table 11.2: Valuation Summary (Source: RSM analysis)

11.4 In accordance with RG 111, we have assessed the value of a share in Touchcorp on a controlling basis before the Scheme and the value of the Scheme Consideration based on the valuation of ATG on a minority basis immediately after the Scheme.

11.5 Our assessment of the Fair Value of the Scheme Consideration is greater than our assessment of the Fair Value of a Touchcorp share prior to the Scheme, and therefore, in the absence of any other relevant information, in our opinion, the Scheme is **fair** to Touchcorp's Shareholders.

Is the Scheme reasonable?

11.6 RG 111 establishes an offer is reasonable if it is fair. It further states a transaction might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the Scheme.

11.7 Given we have concluded the Scheme is fair to Touchcorp's Shareholders, it is reasonable.

11.8 Notwithstanding the above, we have considered the following factors when assessing the Scheme's reasonableness:

In our opinion, the Scheme's key advantages are:


11.9 We have concluded that the Scheme is fair to Shareholders.

11.10 If the Scheme is approved, as the Scheme Consideration is in the form of scrip in ATG, Touchcorp shareholders will continue to share in any benefits and risks associated with being an investor in Touchcorp.

11.11 There are likely to be synergies available from combining the Touchcorp and Afterpay businesses into a single listed entity, including operational efficiencies from increased scale and overhead efficiencies generated from a single company structure. Touchcorp shareholders will benefit from any synergies generated as shareholders in ATG if the Scheme is approved.

11.12 Should the Scheme be approved, Touchcorp shareholders will receive scrip in ATG for their Touchcorp shares and, therefore, retain the potential benefit of sharing in any premium for control that may be paid by a potential acquirer of ATG subsequent to the Scheme being approved.

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- 11.13 Afterpay is a larger company by market capitalisation and, together with Touchcorp, the increased size and profile of ATG may result in more institutional coverage. Further, as a larger entity, there may be an improvement in the liquidity of ATG shares, compared to Touchcorp.
- 11.14 The anticipated growth in Afterpay's business is based upon Touchcorp's software platform and its development. The anticipated growth in the Afterpay business is expected to result in additional transactional revenue for Touchcorp. Further, Touchcorp continues to devote resources to the development and support of the Afterpay business. A combined focus of the two entities may result in the generation of greater shareholder value than could be achieved as two standalone entities.

The Scheme's key disadvantages are:

- 11.15 Subsequent to the implementation of the Scheme, Touchcorp shareholders' interests will be diluted to a 36% share in ATG (on a fully diluted basis). The dilution of Shareholders' interests reduces the ability of existing shareholders in Touchcorp to influence the strategic direction of ATG, including acceptance or rejection of takeover or merger proposals.
- 11.16 Details of the taxation implications of the Scheme to Shareholders are set out in Section 8 of the Scheme Booklet. As set out in Section 8 of the Scheme Booklet, PWC has been engaged by Touchcorp to provide a general summary of the Australian tax implications for eligible shareholders in Touchcorp who participate in the Scheme. The conclusions reached by PWC are applicable to Australian resident shareholders of Touchcorp who hold their shares on capital account and not as trading stock or revenue assets. The summary does not address the tax consequences to shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 as regards to their Touchcorp Shares nor to employees who are shareholders of Touchcorp. PWC concludes that Touchcorp Scheme participants who make a capital gain from the disposal of their Touchcorp shares should be eligible to choose CGT roll-over relief. Should an eligible Touchcorp Scheme participant choose to obtain CGT roll-over relief, a capital gain arising on disposal of Touchcorp shares held by an eligible Touchcorp Scheme participant is disregarded. Shareholders should read Section 8 of the Scheme Booklet in full as the taxation consequences for Shareholders will depend upon their individual circumstances. In some circumstances tax consequences may be unfavourable to certain Shareholders. In any doubt, Shareholders should consult their own professional adviser.
- 11.17 Subsequent to the implementation of the Scheme, Shareholders will own shares in ATG and will be exposed to any potential downside that may result from being a shareholder of an entity, which owns both Touchcorp and Afterpay by having an increased exposure to the Afterpay risks compared to those that come from Touchcorp's current interest in Afterpay.

The extent to which a control premium is being paid:

- 11.18 The offer under the Scheme is at a premium to the 30 day volume weighted average price ("VWAP") of a Touchcorp share prior to the Announcement to the Australian Securities Exchange ("ASX") on 23 February 2017 of \$1.06.
- 11.19 As we have assessed the value of the Scheme Consideration to be in the range of \$1.34 to \$1.44 per ATG share (on a fully diluted basis), this implies that a premium for control of approximately 26% to 36% has been included in the Scheme offer when compared to the historical 30 day VWAP of Touchcorp.

Future prospects of Touchcorp if the Scheme is not approved:

- 11.20 The Scheme was announced to the ASX on 23 February 2017, which resulted in Touchcorp's share price closing at \$1.32 on that date. The closing price on 21 April 2017 was \$1.42. Touchcorp's share price closed at \$1.05 on 22 February 2017, just prior to the Announcement of the Scheme.
- 11.21 It is common in takeover transactions for shares in the target company to rise post the Announcement of offer, to a price at or around the offer price, in circumstances where the offer is in excess of recent trading prices of the target.
- 11.22 In the event that the Scheme is not approved by Shareholders, we consider, that in the short term, there is a risk that Touchcorp's share price will fall to around the levels achieved prior to the Announcement of the Scheme as at 23 February 2017.
- 11.23 Dependent upon on the reasons why the Scheme does not proceed, Touchcorp may be liable to pay a break fee of \$750,000 to Afterpay. However, no break fee is payable for the reason that Touchcorp shareholders do not approve the Scheme.



11.24 Touchcorp estimates that it will have incurred or committed transaction costs of approximately \$1.2 million in relation to the Scheme. These costs will be payable by Touchcorp regardless of whether or not the Scheme is approved and becomes effective

Alternative proposals and the likelihood of an alternative takeover offer:

11.25 On 13 April 2017, Touchcorp announced that the Company had received a confidential, conditional, unsolicited, indicative and non-binding expression of interest to acquire the Company's operating assets, excluding surplus cash and its shareholding in Afterpay ("Alternative Proposal").

11.26 The Touchcorp board of Directors (the "Board"), following consultation with its advisers, including its corporate adviser Gresham Advisory Partners, has considered the Alternative Proposal and determined that it does not constitute a superior proposal to the MIA signed with Afterpay on the 30 March 2017.

11.27 The opinion of the Board, is that the sale of Touchcorp's operating assets to a third party while Shareholders remain exposed to the value of Afterpay shares, would give rise to significant risks which would adversely affect Touchcorp shareholders under the Alternative Proposal. The Afterpay shares held by Touchcorp are subject to ASX escrow until 3 May 2018.

11.28 Based on this assessment, we have been advised by the Touchcorp directors that they are not aware of a superior proposal to the Scheme at the date of this Report.

11.29 In considering the Alternative Proposal, we have reviewed correspondence between the two parties and held discussions with the Independent Director of Touchcorp and its advisers, Gresham Advisory Partners. The Board and its advisers have given consideration to a number of quantitative and subjective matters, including the potential impact on the value of Touchcorp's stake in Afterpay. Based on our assessment of the Fair Value of a Touchcorp share prior to the Announcement, approximately 63% of Touchcorp's value is represented by its shareholding in Afterpay. Having regard to the above, we do not consider that the position reached by the Board is unreasonable.

11.30 Due to the commercially sensitive nature of the Alternative Proposal, we are unable to disclose any further information at this point in time.

11.31 In the event that a superior proposal emerges prior to the Scheme meeting, Shareholders will be entitled to reject the Scheme and pursue other proposals. In the event that a superior proposal emerges, we reserve the right to change our Report.

Conclusion

11.32 In the absence of any other relevant information and/or a superior proposal, we consider the Scheme, is **reasonable** for Touchcorp's Shareholders.

Market's response to the Announcement

Touchcorp's quoted listed price

11.33 The table below sets out Touchcorp share prices' VWAP for the 180 day period before and the period after the Announcement on 23 February 2017 to 21 April 2017.

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Touchcorp	Share price Low	Share price High	No. of days traded	Volume traded	Value traded \$'000s	VWAP \$	Percentage of issued capital %
Share price performance							
<i>Before the Announcement</i>							
1 trading days before	1.05	1.05	1	55	58	1.05	0.04%
5 trading days before	1.05	1.07	5	426	450	1.06	0.32%
10 trading days before	1.05	1.08	10	824	874	1.06	0.63%
30 trading days before	1.03	1.12	29	6,790	7,223	1.06	5.16%
60 trading days before	0.98	1.92	56	15,275	17,512	1.15	11.62%
90 trading days before	0.98	2.09	86	22,539	31,893	1.42	17.22%
120 trading days before	0.98	2.15	115	29,112	45,300	1.56	22.59%
180 trading days before	0.98	2.33	175	50,491	85,641	1.70	40.45%
<i>After the Announcement</i>							
1 trading days after	1.32	1.32	1	1,454	1,920	1.32	1.11%
5 trading days after	1.20	1.35	5	3,505	4,494	1.28	2.71%
10 trading days after	1.20	1.35	10	4,125	5,297	1.28	3.21%
30 trading days after	1.20	1.38	30	7,844	10,164	1.30	6.13%
40 trading days after	1.20	1.45	40	9,953	13,046	1.31	7.79%

Source: ASX and RSM calculations

Table 10.5: Touchcorp share price performance before and after the Announcement (Source: S&P Capital IQ and RSM calculations)

11.34 In the 180 trading days prior the Announcement, Touchcorp shares closed at between \$0.98 and \$2.33 with a VWAP of \$1.70. Over the 5 days, 10 days and 30 days prior the Announcement, share price and VWAP remained constant at \$1.06.

11.35 Since the Announcement, Touchcorp shares have traded between \$1.05 and \$1.45 with a VWAP of \$1.31. The rise in the share price is likely to be partly attributable to the control premium being paid by Afterpay. We consider, should the Scheme not proceed, there is a risk that the share price may fall to levels achieved prior to the announcement of the Scheme as at 23 February 2017.

Afterpay's quoted listed price

11.36 The table below sets out Afterpay share prices' VWAP for the 180 day period before and the 30 day period after the Announcement on 23 February 2017.

Afterpay	Share price low \$	Share price high \$	No. of days traded	Volume traded 000s	Value traded \$'000s	VWAP \$	Percentage of issued capital %
Share price performance							
<i>Before the Announcement</i>							
1 trading days before	2.46	2.46	1	319	784	2.46	0.18%
5 trading days before	2.22	2.55	5	1,658	3,938	2.38	0.92%
10 trading days before	2.22	2.80	10	2,470	6,120	2.48	1.37%
30 trading days before	2.22	2.80	29	4,111	10,470	2.55	2.28%
60 trading days before	2.22	2.90	56	6,306	16,273	2.58	3.50%
90 trading days before	2.22	3.00	86	12,776	33,382	2.61	7.12%
120 trading days before	2.22	3.05	115	16,121	42,460	2.63	9.16%
180 trading days before	1.32	3.05	175	25,711	62,687	2.44	14.92%
<i>After the Announcement</i>							
1 trading days after	2.34	2.34	1	3,570	8,353	2.34	1.98%
5 trading days after	2.17	2.34	5	7,051	16,142	2.29	3.91%
10 trading days after	2.15	2.34	10	7,925	18,109	2.28	4.40%
30 trading days after	2.08	2.34	30	10,848	24,617	2.27	6.02%
40 trading days after	1.98	2.46	40	14,884	33,653	2.26	8.25%

Source: ASX and RSM calculations

Table 10.6: Afterpay share price performance before and after the Announcement (Source: S&P Capital IQ and RSM calculations)

11.37 In the 180 trading days prior the Announcement, Afterpay shares closed at between \$1.32 and \$3.05 with a VWAP of \$2.44.



11.38 Since the Announcement, Afterpay shares have traded between \$2.46 and \$1.98 with a VWAP of \$2.26. The low point of \$1.98 occurred prior to the business update released to the ASX on 13 April 2017. The fall in the share price subsequent to the Announcement may, in part, be attributable to the control premium being paid by Afterpay for Touchcorp.

11.39 Afterpay's VWAP 40 days after the Announcement of \$2.26, is consistent with our assessment of the value of the Scheme Consideration per share (on a fully diluted basis) of \$1.34 to \$1.44 after the merger ratio of 0.64 has been applied, ($\$2.26 \times 0.64 = \1.45).

Conclusion on Reasonableness

11.40 In our opinion, if the Scheme is approved, the position of Shareholders is more advantageous than their position if the Scheme is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider the Scheme as a whole is **reasonable** for Shareholders.

Conclusion on in the best of interests of shareholders

11.41 On the basis that we consider the Scheme to be **fair and reasonable** to Shareholders, we also consider that the Scheme is **in the best interests** of Shareholders.

11.42 An individual shareholder's decision in relation to the Scheme may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

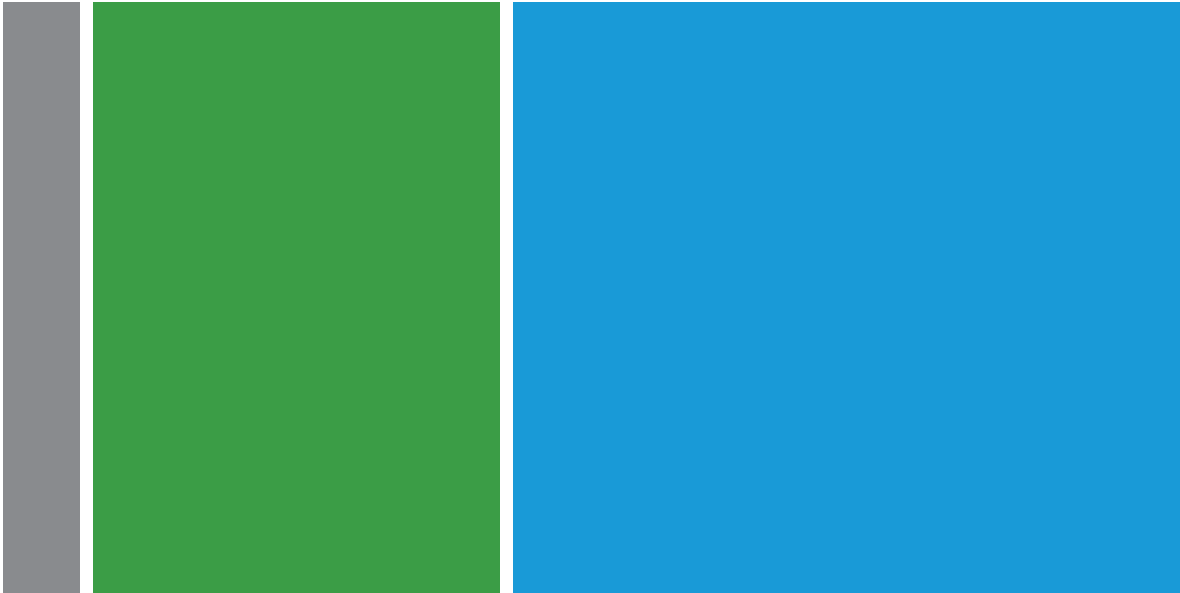
Yours faithfully

RSM Corporate Australia Pty Ltd

GLYN YATES
Director

ANDREW GILMOUR
Director

Annexure A
Independent Expert's Report
(continued)



APPENDICES



APPENDIX 1

Declarations and disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM Australia) a large national firm of chartered accountants and business advisors.

Mr Glyn Yates and Mr Andrew Gilmour are directors of RSM Corporate Australia Pty Ltd. Mr Yates and Mr Gilmour are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This Report has been prepared solely for the purpose of assisting Shareholders of Touchcorp in considering the Scheme. We do not assume any responsibility or liability to any party as a result of reliance on this Report for any other purpose.

Reliance on information

Statements and opinions contained in this Report are given in good faith. In the preparation of this Report, we have relied upon information provided by the Directors and Management of Touchcorp and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this Report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of interest

At the date of this Report, none of RSM Corporate Australia Pty Ltd, RSM, Glyn Yates, Andrew Gilmour, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM Australia has any interest in the outcome of the Scheme, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$65,000 based on time occupied at normal professional rates for the preparation of this Report. The fees are payable regardless of whether Touchcorp receives Shareholder's approval for the Scheme, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this Report in the form and context in which it is included with the Explanatory Memorandum to be issued to Unitholders. Other than this Report, none of RSM Corporate Australia Pty Ltd, RSM Australia or RSM Australia Partners has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

Annexure A
Independent Expert's Report
(continued)



APPENDIX 2

Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Draft copies of the Touchcorp Scheme Booklet;
- Final copies of the Merger Implementation Agreement between Touchcorp and Afterpay;
- Touchcorp's reviewed financial statements for the half-year ended 31 December 2016;
- Touchcorp's audited financial statements for the four years ended 30 December 2016;
- Afterpay's reviewed financial statements for the half-year ended 31 December 2016;
- Afterpay's audited financial statements for the two years ended 30 June 2016;
- ASX Announcements on Touchcorp and Afterpay; and
- Discussions with Touchcorp's Management.

APPENDIX 3

Glossary of Terms and Abbreviations

Term	Definition
Afterpay	Afterpay Holdings Limited ABN 606 589 520
Afterpay Merchants Fees	Revenue generated primarily from transaction fees paid by its retail merchant clients
Afterpay system	Facilitates commerce between retail merchants and their end-customers by providing a service and software infrastructure
Alternative Proposal	A confidential, conditional, unsolicited, indicative and non-binding expression of interest to acquire the Company's operating assets, excluding surplus cash and its shareholding in Afterpay
Announcement	Announcement made by Touchcorp on 23 February 2017 regarding the intent to pursue a merger with Afterpay
ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange
Board	The Touchcorp board of directors
Companies	Touchcorp Limited and Afterpay Holdings Limited
Company	Touchcorp Limited
Corporations Act	Corporations Act 2001
Court	Bermuda Court
Change Up	Change Up Holdings Limited
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
FME	Future maintainable earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY16	For Touchcorp year ended 31 December 2016
GPG	Guinness Peat Group

Annexure A
Independent Expert's Report
(continued)



APPENDIX 3

Term	Definition
HY1 16	1st half-year ended 30 June 2016
HY2 16	2nd half-year ended 31 December 2016
HY17	Half-year ended 31 December 2016
Report	Independent Expert Report
Management	Management of Touchcorp
MIA	Merger Implementation Agreement
ATG	Newly incorporated Australian company
RG 111	ASIC Regulatory Guide 111 Content of Experts Reports
RSM	RSM Corporate Australia Pty Ltd ABN 82 050 508 024 AFSL 255 847
Scheme	Touchcorp's Scheme
Scheme Consideration	Consideration to be received by Shareholders under the Scheme
Scheme Meeting	Meeting of Shareholders held on or about 9 June 2017 where they will consider a resolution seeking approval of the Scheme
SDLA	Software Development and Licence Agreement
Shareholders	Shareholders of Touchcorp not associated with the Schemes
Touchcorp	Touchcorp Limited ABN 603 731 184
VWAP	Volume weighted average price
\$	Australian dollars

APPENDIX 4

Adjustment for Escrow periods – Restricted stock discounts – Mercer Approach

- The Mercer Approach provides a methodology to quantify restricted stock discounts. Mercer equates the quantum of the restricted stock discount to the cost of hedging the restricted stock during the restriction period and is directly related to the volatility of the stock at the day the restricted stock holding is required to be valued.
- The rationale for this approach is based on the premise that the risk related to holding restricted stock (and therefore the discount that should be afforded to a notional investor who is acquiring a block of restricted stock) is directly related to the risk that the stock price may decline during the restriction period. If there was a guarantee issued with restricted stock that the price of the stock will not decline during the restriction period, holding restricted stock would be risk-free, except for the time value of money forgone during the restriction period. Therefore, the restricted stock discount should equal the cost of providing the price guarantee during the restriction period (i.e. a put option).
- The value of a put option is related mathematically to the value of a call option having the same terms by the equation known as put call parity. The put call parity equation simply states the mathematical relationship between a put option and a call option having the same terms, as illustrated below:

$$\text{Call option value} - \text{Put option value} = \text{Stock Price} - \text{Present value of Exercise Price}$$

- Moving the terms around using simple algebra, one can solve for the value of the put option:

$$\text{Put option value} = \text{Call option value} - \text{Stock Price} + \text{Present value of Exercise Price}$$

- The call option value is determined by using the Black-Scholes equation.

Call Option Value

- The Black-Scholes equation requires the following inputs:

- exercise price;
- price on grant date of the underlying share;
- life of the option;
- volatility of the underlying share;
- dividends expected on the shares (if appropriate); and
- risk free interest rate.

Exercise price

- The exercise price is based on our valuation of an Afterpay range of \$2.38 to \$2.55 per share increased by the risk free rate over the period to account for the time value of money.

Price on grant date

- The price on grant date is based on the VWAP 5 days prior and 30 days prior to the Announcement 5 of \$2.38 and \$2.55 per share respectively.

Option life

The life of the option is 373 days.

Volatility of the underlying share

- The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally, it is considered possible to predict future volatility of a stock by reference to its historical volatility. A share with a greater volatility has a greater time component of the total option value.
- Our volatility model takes account of the tendency of the volatility to revert to the long term mean over time. In the short term volatility can be significant but in the long term it tends to revert to the long term average level. In addition, it also gives a higher weighting to more recent prices. Further, it estimates the rate at which volatility is likely to head back towards the long term mean.
- Our assumption is predicated on the fact that historical volatility is representative of expected future volatility.

Annexure A
Independent Expert's Report
(continued)



- Based on the above, we have included a volatility for Afterpay of 55% in our valuations.

Expected Dividends

- We have not factored in a dividend yield for Afterpay as holders of the escrowed shares are still entitled to receive a dividend.

Risk free interest rate

- We have used the 1 year Commonwealth Bond rate as at 21 April 2017 1.55% as being the appropriate risk free rate in performing our valuation.

Calculation of Stock restriction discounts

- Based on the above inputs to the Black-Scholes model we have calculated the stock restriction discounts as set out in the table below:

Afterpay Stock restriction discount	
WWAP 5 days prior to Announcement	(0.50)
WWAP 30 days prior to Announcement	(0.53)

Annexure B

Independent Limited Assurance Report



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Services Limited
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Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

11 May 2017

The Directors
Afterpay Touch Group Limited
Level 16, 380 Latrobe Street
Melbourne. VIC 3000

The Directors
Touchcorp Limited
34 Bermudiana Road,
Hamilton, HM 11
Bermuda

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON THE PRO FORMA HISTORICAL FINANCIAL INFORMATION OF AFTERPAY TOUCH GROUP LIMITED

1. Introduction

We have been engaged by Afterpay Touch Group Limited (“Afterpay Touch Group” or the “Company”) and Touchcorp Limited (“Touchcorp”) to report on the Afterpay Touch Group pro forma historical financial information for inclusion in the Touchcorp scheme booklet to be dated on or about 12 May 2017, and to be issued by Touchcorp (the “Touchcorp Scheme Booklet”), in respect of the proposed merger (the “Transaction”) of Touchcorp and Afterpay Holdings Limited (“Afterpay”). As part of the Transaction, Afterpay Touch Group, a newly incorporated Australian company, will acquire Touchcorp and Afterpay by two separate interconditional schemes of arrangement (following which Touchcorp and Afterpay would each become wholly-owned subsidiaries of Afterpay Touch Group (indirectly, in the case of Afterpay)) and will issue new shares in Afterpay Touch Group to Touchcorp shareholders and to Afterpay shareholders (excluding Touchcorp).

Expressions and terms defined in the Touchcorp Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Stephen Lomas is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

Annexure B
Independent Limited Assurance Report
(continued)



2. Scope

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of Afterpay Touch Group:

- ▶ the pro forma historical consolidated income statement of Afterpay Touch Group for the 12 months ended 31 December 2016 as set out in Section 6.11(c) of the Touchcorp Scheme Booklet; and
- ▶ the pro forma historical consolidated statement of financial position of Afterpay Touch Group as at 31 December 2016 as set out in Section 6.11(b) of the Touchcorp Scheme Booklet

which assume completion of the Transaction and include the pro forma adjustments described in Sections 6.11(b) and 6.11(c) of the Touchcorp Scheme Booklet.

(Hereafter the “Pro Forma Historical Financial Information”).

The Pro Forma Historical Financial Information has been:

- ▶ derived from the Touchcorp general purpose financial statements for the year ended 31 December 2016, which was audited by Ernst & Young in accordance with Australian Auditing Standards and on which an unqualified audit opinion was issued;
- ▶ derived from the Afterpay general purpose financial statements for the year ended 30 June 2016, which was audited by Ernst & Young in accordance with Australian Auditing Standards and on which an unqualified audit opinion was issued, and Afterpay interim financial statements for the six months ended 31 December 2015 and 31 December 2016, which were reviewed by Ernst & Young and on which an unqualified limited assurance conclusion was issued; and
- ▶ adjusted for the effects of pro forma adjustments described in Sections 6.11(b) and 6.11(c) of the Touchcorp Scheme Booklet.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (“AAS”), other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect: (i) the exclusion of certain transactions that occurred in the relevant period; and (ii) the impact of certain transactions as if they had occurred on 1 January 2016 in the pro forma historical consolidated income statement or on 31 December 2016 in the pro forma historical consolidated statement of financial position.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position and financial performance.

The Pro Forma Historical Financial Information is presented in the Touchcorp Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.



3. Directors' Responsibility

The directors of Afterpay Touch Group are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the historical income statement of Afterpay for the 12 months ended 31 December 2016 and the historical income statement of Touchcorp for the year ended 31 December 2016 and the historical statements of financial position of Touchcorp and Afterpay as at 31 December 2016. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Pro Forma Historical Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Pro Forma Historical Financial Information.

5. Conclusions

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- ▶ the pro forma historical consolidated income statement of Afterpay Touch Group for the 12 months ended 31 December 2016 as set out in Section 6.11(c) of the Touchcorp Scheme Booklet; and
- ▶ the pro forma historical consolidated statement of financial position of Afterpay Touch Group as at 31 December 2016 as set out in Section 6.11(b) of the Touchcorp Scheme Booklet

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.11 (a) of the Touchcorp Scheme Booklet.

Annexure B
Independent Limited Assurance Report
(continued)



6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 6.11(a) of the Touchcorp Scheme Booklet, which describes the purpose of the Pro Forma Historical Financial Information. As a result, the Pro Forma Historical Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Touchcorp Scheme Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of this Transaction other than in the preparation of this report (a version which is included in the Touchcorp Scheme Booklet and the Afterpay Scheme Booklet) for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

A handwritten signature in black ink that reads 'Stephen Lomas'.

Stephen Lomas
Director and Representative



Ernst & Young Transaction Advisory
Services Limited
8 Exhibition Street
Melbourne VIC 3000 Australia
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**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT
LIMITED ASSURANCE REPORT**

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

Annexure B
Independent Limited Assurance Report
(continued)



5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report relating to Touchcorp and Afterpay Touch Group is \$22,000 (inclusive of GST), additional fees relating to the Report for Afterpay and Afterpay Touch Group are disclosed in the Afterpay Scheme Booklet.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in the Afterpay Scheme Booklet in Section 9.7 and the Touchcorp Scheme Booklet in Section 9.9 and the Independent Limited Assurance Report, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

<p>Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555</p>	<p>Contacting the Independent Dispute Resolution Scheme: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08</p>
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This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

Annexure C

Touchcorp Scheme of Arrangement

KING&WOOD
MALLESONS

Scheme of Arrangement

Dated

Touchcorp Limited (ARBN 603 731 184)

Touchcorp Scheme Participants

King & Wood Mallesons

Level 50
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600 Bourke Street
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F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

Annexure C
Touchcorp Scheme of Arrangement
(continued)

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 Touchcorp Scheme of Arrangement
 (continued)

Scheme of Arrangement

Details

Parties	Touchcorp Limited and Touchcorp Scheme Participants	
Touchcorp	Name	Touchcorp Limited
	ARBN	603 731 184
	Address for notices	Address: 34 Bermudiana Road, Hamilton HM11 Bermuda Cc Level 1, 61 Spring Street Melbourne Victoria 3000 Email: sk@ccounsel.com.au Attention: Sophie Karzis with a copy to King & Wood Mallesons: Address: Level 50, Bourke Place, 600 Bourke Street, Melbourne VIC 3000 Email: diana.nicholson@au.kwm.com Attention: Diana Nicholson
Touchcorp Scheme Participants	Name	Persons registered in the Touchcorp Register as the holder of a Touchcorp Share as at the Record Date
Governing law	Bermuda	

General terms

1 Definitions and interpretation

1.1 Definitions

In this Touchcorp Scheme, capitalised words and phrases have the same meaning as given to them in the booklet to which this Touchcorp Scheme is annexed, unless otherwise defined or the context requires otherwise.

In this document, unless the context requires otherwise:

Condition Subsequent means the condition subsequent to the Touchcorp Scheme, being the condition set out in clause 3.1(d) of the Merger Implementation Agreement.

End Date means the later of:

- (a) 30 September 2017; and
- (b) such other date and time agreed in writing between Touchcorp and Afterpay.

Scheme Order means the orders of the Bermudian Court sanctioning the Touchcorp Scheme, with or without modification, under the Companies Act.

1.2 Interpretation

In this document:

- (a) unless the context requires otherwise, a reference:
 - (i) to the singular includes the plural and vice versa;
 - (ii) to a gender includes all genders;
 - (iii) to a document or instrument is a reference to that document or instrument as amended, consolidated, supplemented, novated or replaced;
 - (iv) to a clause, paragraph, Schedule or Annexure is to a clause, paragraph, Schedule or Annexure of or to this document;
 - (v) to a law includes any legislation, judgment, rule of common law or equity or rule of any applicable stock exchange, and is a reference to that law as amended, consolidated, supplemented or replaced and includes a reference to any regulation, by-law or other subordinate legislation;
 - (vi) to any time is to Melbourne, Australia time;
 - (vii) to "\$" is to the lawful currency of Australia;
 - (viii) to a party means a party to this Touchcorp Scheme;

Annexure C
Touchcorp Scheme of Arrangement
(continued)

- (ix) to a "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any regulatory authority;
- (b) the words "including" or "includes" means "including, but not limited to", or "includes, without limitation" respectively;
- (c) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) headings are for convenience only and do not affect interpretation of this document;
- (e) if a payment or other act must (but for this clause) be made or done on a day that is not a Business Day, then it must be made or done on the next Business Day; and
- (f) if a period must be calculated from, after or before a day or the day of an act or event, it must be calculated excluding that day.

2 Preliminary

2.1 Touchcorp

Touchcorp is an exempted company incorporated in Bermuda under the Companies Act that is registered as a foreign company under the Corporations Act.

Touchcorp is admitted to the official list of ASX and Touchcorp Shares are quoted on ASX.

2.2 Afterpay Touch Group

Afterpay Touch Group is a public company limited by shares, incorporated in Australia and taken to be registered in Victoria.

2.3 Effect of Touchcorp Scheme

If the Touchcorp Scheme becomes Effective:

- (a) all of the Touchcorp Shares will be transferred to Afterpay Touch Group and Touchcorp will enter Afterpay Touch Group in the Touchcorp Register as the holder of the Touchcorp Shares; and
- (b) in consideration for the transfer of the Touchcorp Shares, Touchcorp will procure that Afterpay Touch Group provide the Touchcorp Scheme Consideration to each Touchcorp Scheme Participant,

in accordance with the terms of the Touchcorp Scheme.

2.4 Merger Implementation Agreement

Touchcorp, Afterpay and Afterpay Touch Group have entered into the Merger Implementation Agreement which sets out, among other things, the terms on which Touchcorp and Afterpay Touch Group have agreed to implement the Touchcorp Scheme.

2.5 Touchcorp Deed Poll

Afterpay Touch Group has entered into the Touchcorp Deed Poll under which it has covenanted in favour of each Touchcorp Scheme Participant, subject to the Touchcorp Scheme becoming Effective, to perform its obligations as contemplated by this Touchcorp Scheme and to do all things necessary or desirable to implement the Touchcorp Scheme, including to provide or procure the provision of the Touchcorp Scheme Consideration.

3 Conditions

3.1 Conditions precedent to Touchcorp Scheme

The Touchcorp Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all of the conditions precedent set out in clause 3.2 of the Merger Implementation Agreement, other than those in clauses 3.2(c), 3.2(d), and 3.2(e), having been satisfied or waived in accordance with the terms of the Merger Implementation Agreement, before 8:00 am on the Second Bermudian Court Date;
- (b) as at 8.00 am on the Second Bermudian Court Date, neither the Merger Implementation Agreement nor the Touchcorp Deed Poll having been terminated in accordance with its terms;
- (c) subject to clause 4.14 of the Merger Implementation Agreement, the Bermudian Court making the Scheme Order either unconditionally or on conditions that do not impose unduly onerous obligations upon any party to the Merger Implementation Agreement (acting reasonably);
- (d) any other conditions made or required by the Bermudian Court under the Companies Act in relation to the Touchcorp Scheme, and which are acceptable to Touchcorp and Afterpay, having been satisfied;
- (e) an office copy of the Scheme Order is delivered to the Bermuda Registrar of Companies for registration as contemplated by the Companies Act on or before the End Date; and
- (f) subject to clause 4.15 of the Merger Implementation Agreement, the Afterpay Scheme is approved by the Australian Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon any party to the Merger Implementation Agreement (acting reasonably),

and the provisions of clauses 4, 5 and 6 will not come into effect unless and until each of these conditions precedent and the condition subsequent in clause 3.2 has been satisfied.

3.2 Condition subsequent

The Touchcorp Scheme will become Effective from the delivery of the Scheme Order to the Bermuda Registrar of Companies for registration as contemplated by the Companies Act, subject to the Condition Subsequent being satisfied.

3.3 Certificate in relation to conditions precedent

Prior to or at the Bermudian Court hearing on the Second Bermudian Court Date, Touchcorp and Afterpay will provide to the Bermudian Court a joint certificate, or such other evidence as the Bermudian Court requests, confirming (in respect of

Annexure C Touchcorp Scheme of Arrangement (continued)

matters within their knowledge) whether or not all of the conditions precedent to the Touchcorp Scheme other than those in clauses 3.1(c), 3.1(d), 3.1(e) and 3.1(f), have been satisfied or waived.

The giving of a certificate by Touchcorp and Afterpay under this clause 3.3 will, in the absence of manifest error, be conclusive evidence of the satisfaction or waiver of the conditions precedent referred to in the relevant certificate.

3.4 Termination

Without limiting any rights under the Merger Implementation Agreement, if the Merger Implementation Agreement is terminated in accordance with its terms before the Touchcorp Scheme becomes Effective, the Touchcorp Scheme Participants release each of Touchcorp and Afterpay Touch Group from:

- (a) any further obligation to take steps to implement the Touchcorp Scheme; and
- (b) any liability with respect to the Touchcorp Scheme.

3.5 End Date

The Touchcorp Scheme will lapse and have no further force or effect if the Effective Date has not occurred on or before the End Date.

4 Implementation of Touchcorp Scheme

4.1 Delivery of Scheme Order

Touchcorp must deliver to the Bermuda Registrar of Companies as contemplated by the Companies Act an office copy of the Scheme Order for registration as soon as practicable after the date on which the Bermudian Court makes that Scheme Order (or such later time as Afterpay and Touchcorp agree in writing).

4.2 Transfer of Touchcorp Shares

Subject to the Touchcorp Scheme becoming Effective, on the Implementation Date (prior to 12 noon) the Touchcorp Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to Afterpay Touch Group without the need for any further act by any Touchcorp Scheme Participant (other than acts performed by Touchcorp as attorney and agent for the Touchcorp Scheme Participants under clause 7.1 of this Touchcorp Scheme) by:

- (a) Touchcorp delivering to Afterpay Touch Group a duly completed share transfer form executed on behalf of the Touchcorp Scheme Participants (which may be a master share transfer form) to transfer all the Touchcorp Shares to Afterpay Touch Group;
- (b) Touchcorp procuring that Afterpay Touch Group duly execute this transfer form and deliver this transfer form to Touchcorp for registration; and
- (c) to the extent applicable, Touchcorp effecting a valid transfer of Touchcorp Shares under the Companies Act.

As soon as practicable after receipt of the transfer form or completion of the transfer procedure, Touchcorp will enter, or procure the entry of, the name and

address of Afterpay Touch Group in the Touchcorp Register as the holder of all the Touchcorp Shares.

To the extent permitted by law, the Touchcorp Shares will be transferred to Afterpay Touch Group free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind.

4.3 Provision of Touchcorp Scheme Consideration

Touchcorp will procure that Afterpay Touch Group will:

- (a) on the Implementation Date, allot and issue to the Touchcorp Scheme Participants (or, in accordance with clause 4.4, to a nominee appointed by Afterpay Touch Group where a Touchcorp Scheme Participant is an Ineligible Foreign Shareholder) the new Afterpay Touch Group Shares that comprise the Touchcorp Scheme Consideration on terms such that each new Afterpay Touch Group Share will be free from any mortgage, charge, lien, encumbrance or other security interest and rank equally in all respects with each existing fully paid ordinary share in the capital of Afterpay Touch Group; and
- (b) apply to ASX for the commencement of trading of the new Afterpay Touch Group Shares that comprise the Touchcorp Scheme Consideration on the ASX on a deferred settlement basis as from the Business Day after the Effective Date (or such later date as the ASX requires) and on an ordinary settlement basis as from the 3 July 2017 (or such later date as the ASX requires).

4.4 Ineligible Foreign Shareholders

Afterpay Touch Group will be under no obligation to issue, and will not issue, any new Afterpay Touch Group Shares that comprise the Touchcorp Scheme Consideration to any Ineligible Foreign Shareholder, and instead (unless otherwise agreed in writing by Touchcorp and Afterpay), Touchcorp will procure that Afterpay Touch Group issues on the Implementation Date the new Afterpay Touch Group Shares to which that Ineligible Foreign Shareholder would otherwise have been entitled (if they were a Touchcorp Scheme Participant who was not an Ineligible Foreign Shareholder) to a nominee appointed by Afterpay Touch Group.

Where new Afterpay Touch Group Shares are issued to a nominee pursuant to this clause 4.4, Touchcorp will procure that Afterpay Touch Group procures that, as soon as reasonably practicable and in any event not more than 15 Business Days after the Implementation Date, the nominee:

- (a) sells on the ASX or another prescribed financial market all of the new Afterpay Touch Group Shares issued to the nominee in accordance with this clause 4.4 in such manner, at such price and on such other terms as the nominee determines in good faith, and at the risk of the Ineligible Foreign Shareholders; and
- (b) remits to Afterpay Touch Group the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges).

Where new Afterpay Touch Group Shares are issued to a nominee pursuant to this clause 4.4, promptly after the last remittance in accordance with clause 4.4(b), Touchcorp will procure that Afterpay Touch Group pays to each Ineligible Foreign Shareholder the proportion of the net proceeds of sale received by Afterpay Touch Group pursuant to clause 4.4(b) to which that Ineligible Foreign Shareholder is entitled.

Annexure C
Touchcorp Scheme of Arrangement
(continued)

4.5 Fractional entitlements

Any fractional entitlement of a Touchcorp Scheme Participant to a part of a new Afterpay Touch Group Share will be rounded up or down to the nearest whole number of new Afterpay Touch Group Shares.

4.6 Obligations of Touchcorp Scheme Participants

Each Touchcorp Scheme Participant who will be issued Afterpay Touch Group Shares under the Touchcorp Scheme agrees:

- (a) to become a shareholder of Afterpay Touch Group;
- (b) to have his, her or its name and address entered into the register of shareholders maintained by Afterpay Touch Group; and
- (c) to be bound by the constitution of Afterpay Touch Group in force from time to time in respect of the Afterpay Touch Group Shares.

4.7 Joint holders

In the case of Touchcorp Shares held in joint names, any Touchcorp Scheme Consideration will be issued to and registered in the names of the joint holders and holding statements or notices confirming the issue of the Touchcorp Scheme Consideration will be forwarded to the holder whose name appears first in the Touchcorp Register as at the Record Date.

5 Dealings in Touchcorp Shares

5.1 Determination of Touchcorp Scheme Participants

Each Touchcorp Scheme Participant will be entitled to participate in the Touchcorp Scheme.

For the purpose of determining who is a Touchcorp Scheme Participant, dealings in Touchcorp Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHES, the transferee is registered in the Touchcorp Register as the holder of the relevant Touchcorp Shares by the Record Date; and
- (b) in all other cases, share transfer forms in registrable form or registrable transmission applications in respect of those dealings are received by the Touchcorp Share Registry by the Record Date,

and Touchcorp must not accept for registration, nor recognise for any purpose (except a transfer to Afterpay Touch Group pursuant to this Touchcorp Scheme and any subsequent transfer by Afterpay Touch Group or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

5.2 Touchcorp's obligation to register

Touchcorp must register any registrable transfers or transmission applications of the kind referred to in clause 5.1(b) by the Record Date.

5.3 Transfers after the Record Date

If the Touchcorp Scheme becomes Effective, a Touchcorp Scheme Participant (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Touchcorp Shares or any interest in them after the Record Date (other than a transfer to Afterpay Touch Group in accordance with the Touchcorp Scheme and any subsequent transfers by Afterpay Touch Group or its successors in title).

Touchcorp will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Touchcorp Shares received after the Record Date (other than a transfer to Afterpay Touch Group in accordance with the Touchcorp Scheme and any subsequent transfers by Afterpay Touch Group or its successors in title).

5.4 Maintenance of Touchcorp Register

For the purpose of determining entitlements to the Touchcorp Scheme Consideration, Touchcorp will, until the Touchcorp Scheme Consideration has been provided to Touchcorp Scheme Participants, maintain or procure the maintenance of the Touchcorp Register in accordance with this clause 5. The Touchcorp Register in this form will solely determine entitlements to the Touchcorp Scheme Consideration.

5.5 Effect of certificates and holding statements

From the Record Date, each certificate or holding statement for Touchcorp Shares will cease to have any effect as a document of title in respect of the Touchcorp Shares or otherwise (other than holding statements in favour of Afterpay Touch Group and its successors in title).

Each entry on the Touchcorp Register as at the Record Date (other than entries in respect of Afterpay Touch Group and its successors in title) will cease to have any effect other than as evidence of the entitlements of Touchcorp Scheme Participants to the Touchcorp Scheme Consideration in respect of the Touchcorp Shares relating to that entry.

5.6 Information to be made available to Afterpay Touch Group

As soon as reasonably practicable after the Record Date and in any event at least two Business Days before the Implementation Date, Touchcorp will give to Afterpay Touch Group or as it directs, or procure that Afterpay Touch Group be given or as it directs, details of the name, address and number of Touchcorp Shares held by each Touchcorp Scheme Participant as shown in the Touchcorp Register at the Record Date in the form Afterpay Touch Group reasonably requires.

6 Quotation of Touchcorp Shares

Touchcorp will apply to ASX for suspension of trading of Touchcorp Shares on ASX with effect from the close of trading on the Effective Date.

If the Touchcorp Scheme has been fully implemented in accordance with its terms, on the date determined by Afterpay Touch Group, Touchcorp will apply to ASX for the termination of the official quotation of Touchcorp Shares on ASX and to have Touchcorp removed from the official list of ASX.

Annexure C
 Touchcorp Scheme of Arrangement
 (continued)

7 General Touchcorp Scheme provisions

7.1 Appointment of Touchcorp as agent and attorney

Each Touchcorp Scheme Participant, without the need for any further act, irrevocably appoints Touchcorp and each of the directors and officers of Touchcorp (jointly and severally) as its agent and attorney for the purpose of doing all things and executing all deeds, instruments, transfers and other documents that may be necessary or desirable to give full effect to the Touchcorp Scheme and the transactions contemplated by it, including but not limited to:

- (a) enforcing the Touchcorp Deed Poll against Afterpay Touch Group;
- (b) in the case of Touchcorp Shares in a CHESSE holding:
 - (i) causing a message to be transmitted to ASX Settlement in accordance with the ASX Settlement Operating Rules to transfer the Touchcorp Shares held by the Touchcorp Scheme Participant from the CHESSE subregister of Touchcorp to the issuer sponsored subregister operated by Touchcorp or the Touchcorp Share Registry at any time after Afterpay Touch Group has paid or procured the payment of the Touchcorp Scheme Consideration which is due under this Touchcorp Scheme to Touchcorp Scheme Participants; and
 - (ii) completing and signing on behalf of Touchcorp Scheme Participants any required form of transfer of Touchcorp Shares;
- (c) in the case of Touchcorp Shares registered in the issuer sponsored subregister operated by Touchcorp or the Touchcorp Share Registry, completing and signing on behalf of Touchcorp Scheme Participants any required form of transfer; and
- (d) in all cases, executing any document or doing any other act necessary or desirable to give full effect to this Touchcorp Scheme and the transactions contemplated by it, including executing a proper instrument of transfer of Touchcorp Shares for the purposes of the Companies Act (which may be a master transfer),

and Touchcorp accepts such appointment.

Touchcorp may sub-delegate its functions, authorities or powers under this clause 7.1 as agent and attorney of each Touchcorp Scheme Participant to any or all of its directors or officers.

7.2 Agreement by Touchcorp Scheme Participants

Each Touchcorp Scheme Participant agrees to:

- (a) the transfer of its Touchcorp Shares together with all rights and entitlements attaching to those Touchcorp Shares to Afterpay Touch Group in accordance with the terms of the Touchcorp Scheme; and
- (b) the variation, cancellation or modification (if any) of the rights attached to its Touchcorp Shares constituted by or resulting from the Touchcorp Scheme.

7.3 Warranty by Touchcorp Scheme Participants

Each Touchcorp Scheme Participant is deemed to have warranted to Touchcorp, and is deemed to have authorised Touchcorp to warrant to Afterpay Touch Group as agent and attorney for the Touchcorp Scheme Participant, that:

- (a) all of its Touchcorp Shares (including all rights and entitlements attaching to them) transferred to Afterpay Touch Group under the Touchcorp Scheme will, on the date of the transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind; and
- (b) it has full power and capacity to sell and transfer its Touchcorp Shares (including all rights and entitlements attaching to them) to Afterpay Touch Group.

7.4 Title to Touchcorp Shares

On and from the Implementation Date, subject to Afterpay Touch Group providing the Touchcorp Scheme Consideration in accordance with clause 4.3, and pending registration by Touchcorp of Afterpay Touch Group in the Touchcorp Register as the holder of the Touchcorp Shares, Afterpay Touch Group will be beneficially entitled to the Touchcorp Shares.

7.5 Appointment of Afterpay Touch Group as sole proxy

Subject to the provision of the Touchcorp Scheme Consideration for the Touchcorp Shares as contemplated by this Touchcorp Scheme, on and from the Implementation Date and until registration by Touchcorp of Afterpay Touch Group in the Touchcorp Register as the holder of the Touchcorp Shares, each Touchcorp Scheme Participant:

- (a) without the need for any further act irrevocably appoints Afterpay Touch Group and each of its directors, officers and secretaries (jointly and each of them separately) as its agent and attorney to appoint an officer or agent nominated by Afterpay Touch Group as its sole proxy and where applicable, corporate representative to:
 - (i) attend shareholders' meetings of Touchcorp;
 - (ii) exercise the votes attached to the Touchcorp Shares registered in the name of the Touchcorp Scheme Participant; and
 - (iii) sign any shareholders' resolution of Touchcorp;
- (b) undertakes not to attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative other than under clause 7.5;
- (c) must take all other actions in the capacity of a registered holder of Touchcorp Shares as Afterpay Touch Group reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in this clause 7.5, Afterpay Touch Group and each of the directors, officers and secretaries of Afterpay Touch Group may act in the best interests of Afterpay Touch Group as the intended registered holder of the Touchcorp Shares.

Touchcorp undertakes in favour of each Touchcorp Scheme Participant that it will appoint the director, officer, secretary or agent nominated by Afterpay Touch

Annexure C
Touchcorp Scheme of Arrangement
(continued)

Group as that Touchcorp Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 7.5(a).

7.6 Touchcorp Scheme alterations and conditions

If the Bermudian Court proposes to approve the Touchcorp Scheme subject to any alterations or conditions under the Companies Act, Touchcorp may, by its counsel or solicitors, and with the consent of Afterpay, consent to those alterations or conditions on behalf of all persons concerned, including, for the avoidance of doubt, all Touchcorp Scheme Participants.

7.7 Effect of Touchcorp Scheme

The Touchcorp Scheme binds Touchcorp and all Touchcorp Scheme Participants (including those who do not attend the Touchcorp Scheme Meeting, do not vote at the meeting or vote against the Touchcorp Scheme) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Touchcorp.

7.8 No liability when acting in good faith

Neither Touchcorp nor Afterpay Touch Group, nor any of their respective officers or agents, will be liable to a Touchcorp Scheme Participant for anything done or omitted to be done in the performance of the Touchcorp Scheme in good faith.

7.9 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Touchcorp Scheme is sent by post to Touchcorp, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Touchcorp's registered office or at the Touchcorp Share Registry.

The accidental omission to give notice of the Touchcorp Scheme Meeting or the non-receipt of such a notice by any Touchcorp Scheme Participant will not, unless so ordered by the Bermudian Court, invalidate the Touchcorp Scheme Meeting or the proceedings or any resolutions approved at the Touchcorp Scheme Meeting.

7.10 Further assurances

Each party must, at its own expense, whenever requested by the other party, promptly do or, to the extent reasonably practicable, arrange for others to do everything, including executing any documents, reasonably necessary to give full effect to this Touchcorp Scheme and the transactions contemplated by this Touchcorp Scheme.

7.11 Costs and stamp duty

Afterpay Touch Group must pay all stamp duties (if any) and any fines, penalties and interest in respect of this Touchcorp Scheme or the steps to be taken under this Touchcorp Scheme (including the transfer of Touchcorp Shares and the issue of Afterpay Touch Group Shares under the Touchcorp Scheme).

7.12 Governing law and jurisdiction

This Touchcorp Scheme is governed by the laws of Bermuda. Each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of Bermuda; and

- (b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

Annexure D

Touchcorp Deed Poll



Deed Poll

Dated 10 May 2017

Given by Afterpay Touch Group Limited (ACN 618 280 649) (**Afterpay Touch Group**)

In favour of each registered holder of fully paid ordinary shares in Touchcorp Limited (ARBN 603 731 184) (**Touchcorp**) as at the Record Date (**Touchcorp Scheme Participant**)

King & Wood Mallesons

Level 50
Bourke Place
600 Bourke Street
Melbourne VIC 3000
Australia
T +61 3 9643 4000
F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

Deed Poll

Details

Parties	Afterpay Touch Group	
Afterpay Touch Group	Name	Afterpay Touch Group Limited
	ACN	618 280 649
	Address	Level 16, 380 Latrobe Street, Melbourne VIC 3000
	Attention	Company Secretary
In favour of	Each registered holder of fully paid ordinary shares in Touchcorp as at the Record Date	
Recitals	A	Touchcorp, Afterpay Touch Group and Afterpay are parties to a Merger Implementation Agreement dated 30 March 2017 in respect of the Touchcorp Scheme and associated matters.
	B	Afterpay Touch Group is entering into this Touchcorp Deed Poll to covenant in favour of the Touchcorp Scheme Participants that it will perform all of its obligations under the Merger Implementation Agreement and all actions required to be taken by it under the Touchcorp Scheme.
	C	The effect of the Touchcorp Scheme will be to transfer all Touchcorp Shares to Afterpay Touch Group in exchange for the Touchcorp Scheme Consideration.
Governing law	Bermuda	
Date of Touchcorp Deed Poll	See Signing page	

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

In this Touchcorp Deed Poll, capitalised words and phrases have the same meaning as given to them in the proposed scheme of arrangement under the Companies Act between Touchcorp and the Touchcorp Scheme Participants in respect of all Touchcorp Shares (**Touchcorp Scheme**), unless otherwise defined or the context requires otherwise.

In this document, unless the context requires otherwise:

First Court Date means the date the Bermudian Court first hears the application to order the convening of the Touchcorp Scheme Meeting under section 99(1) of the Companies Act.

1.2 Interpretation

Clause 1.2 of the Touchcorp Scheme applies to the interpretation of this Touchcorp Deed Poll except that references to "this document" in that clause are to be read as references to "this Touchcorp Deed Poll".

2 Nature of Touchcorp Deed Poll

Afterpay Touch Group acknowledges that:

- (a) this Touchcorp Deed Poll may be relied on and enforced by any Touchcorp Scheme Participant in accordance with its terms, even though the Touchcorp Scheme Participant is not a party to it; and
- (b) under the Touchcorp Scheme, each Touchcorp Scheme Participant irrevocably appoints Touchcorp and each of the directors and officers of Touchcorp (jointly and severally) as its agent and attorney to enforce this Touchcorp Deed Poll against Afterpay Touch Group.

3 Conditions and termination

3.1 Conditions precedent

Afterpay Touch Group's obligations under clause 4 are subject to the Touchcorp Scheme becoming Effective.

3.2 Condition subsequent

The Touchcorp Scheme will become Effective from the delivery of the Scheme Order to the Bermuda Registrar of Companies for registration as contemplated by the Companies Act, subject to the Condition Subsequent being satisfied.

3.3 Termination

Afterpay Touch Group's obligations under this Touchcorp Deed Poll will automatically terminate and the terms of this Touchcorp Deed Poll will have no further force or effect if:

- (a) the Merger Implementation Agreement is terminated in accordance with its terms prior to the occurrence of the Effective Date for the Touchcorp Scheme; or
- (b) the Touchcorp Scheme does not become Effective on or before the End Date.

3.4 Consequences of termination

If this Touchcorp Deed Poll is terminated under clause 3.3, then, in addition and without prejudice to any other rights, powers or remedies available:

- (a) Afterpay Touch Group is released from its obligations to further perform this Touchcorp Deed Poll except those obligations contained in clause 8.1 and any other obligations which by their nature survive termination; and
- (b) each Touchcorp Scheme Participant retains the rights or remedies it has against Afterpay Touch Group in respect of any breach of this Touchcorp Deed Poll which occurred before its termination.

4 Provision of Touchcorp Scheme Consideration

4.1 Touchcorp Scheme Consideration

Subject to clause 3, Afterpay Touch Group undertakes to each Touchcorp Scheme Participant to:

- (a) allot and issue to each Touchcorp Scheme Participant (or to a nominee appointed by Afterpay Touch Group, on its behalf, where that Touchcorp Scheme Participant is an Ineligible Foreign Shareholder) the Touchcorp Scheme Consideration on terms such that each new Afterpay Touch Group Share will be free from any mortgage, charge, lien, encumbrance or other security interest and rank equally in all respects with each existing fully paid ordinary share in the capital of Afterpay Touch Group;
- (b) enter the name of each Touchcorp Scheme Participant in the Afterpay Touch Group Share register in respect of the Afterpay Touch Group Shares which that Touchcorp Scheme Participant is entitled to receive under the Touchcorp Scheme;
- (c) send or procure the dispatch by pre-paid ordinary post (or, if the address of the Touchcorp Scheme Participant in the register is outside Australia, by pre-paid airmail post) to each Touchcorp Scheme Participant to their address recorded in the register as at the Record Date, a holding statement for the Afterpay Touch Group Shares issued to that Touchcorp Scheme Participant; and
- (d) undertake all other actions attributed to it under, otherwise comply with its obligations in, and do all other acts and things necessary or desirable on its part to give full effect to, the Touchcorp Scheme as if it were a party to the Touchcorp Scheme,

subject to and in accordance with the provisions of the Touchcorp Scheme.

Annexure D
Touchcorp Deed Poll
(continued)

4.2 Fractional entitlements

Any fractional entitlement of a Touchcorp Scheme Participant to a part of a new Afterpay Touch Group Share will be rounded up or down to the nearest whole number of new Afterpay Touch Group Shares.

5 Representations and warranties

Afterpay Touch Group represents and warrants in favour of each Touchcorp Scheme Participant that:

- (a) it is a corporation validly existing under the laws of the place of its incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this Touchcorp Deed Poll and to carry out the transactions contemplated by this Touchcorp Deed Poll;
- (c) it has taken all necessary corporate action to authorise the entry into this Touchcorp Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Touchcorp Deed Poll and to carry out the transactions contemplated by this Touchcorp Deed Poll; and
- (d) this Touchcorp Deed Poll is valid and binding upon it and enforceable against it in accordance with its terms.

6 Continuing obligations

This Touchcorp Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Afterpay Touch Group having fully performed its obligations under this Touchcorp Deed Poll; and
- (b) the termination of this Touchcorp Deed Poll under clause 3.2.

7 Notices

7.1 Form

Any notice or other communication given to Afterpay Touch Group under or in connection with this Touchcorp Deed Poll must be:

- (a) in legible writing and in English;
- (b) directed to Afterpay Touch Group at the address for notices set out below:

Address: Level 16, 380 Latrobe Street, Melbourne VIC 3000
Attn: Company Secretary

- (c) signed by the sender or a person duly authorised by the sender; and
- (d) sent to Afterpay Touch Group by hand, prepaid post (airmail if to or from a place outside Australia) or email.

7.2 When taken to be received

Without limiting any other means by which a party may be able to prove that a notice has been received by Afterpay Touch Group, a notice will be considered to have been received:

- (a) if sent by hand, when left at the address of Afterpay Touch Group;
- (b) if sent by pre-paid post, 1 Business Day after the date of posting; or
- (c) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) 2 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

whichever happens first,

but if a notice is served on a day that is not a Business Day, or after 5.00 pm on a Business Day, the notice will be considered to have been received by Afterpay Touch Group at 9.00 am on the next Business Day.

8 General

8.1 Stamp duty

Afterpay Touch Group:

- (a) must pay all stamp duties (if any) and any fines, penalties and interest with respect to stamp duty in respect of the Touchcorp Scheme or this Touchcorp Deed Poll or the steps to be taken under them (including the transfer of Touchcorp Shares and the issue of Afterpay Touch Group Shares under the Touchcorp Scheme); and
- (b) indemnifies each Touchcorp Scheme Participant on demand against any liability arising from failure to comply with clause 8.1(a).

8.2 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Touchcorp Deed Poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Touchcorp Deed Poll.
- (b) No waiver of a breach of any term of this Touchcorp Deed Poll will operate as a waiver of another breach of that term or of a breach of any other term of this Touchcorp Deed Poll.
- (c) Nothing in this Touchcorp Deed Poll obliges a party to exercise a right to waive any conditional term of this agreement that may be in its power.
- (d) A provision of or right under this Touchcorp Deed Poll may not be waived except in writing signed by the person granting the waiver.

Annexure D
Touchcorp Deed Poll
(continued)

8.3 Variation

A provision of this Touchcorp Deed Poll may not be varied unless the variation is agreed to in writing by Afterpay Touch Group, Afterpay and Touchcorp, and if the variation occurs on or after the First Court Date, the Australian Court indicates that the variation would not of itself preclude approval of the Touchcorp Scheme. A variation which complies with this clause is effective when Afterpay Touch Group enters into a further deed poll in favour of each Touchcorp Scheme Participant giving effect to the amendment.

8.4 Rights cumulative

The rights, powers and remedies of Afterpay Touch Group and of each Touchcorp Scheme Participant under this Touchcorp Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this Touchcorp Deed Poll.

8.5 Assignment

The rights and obligations of Afterpay Touch Group and of each Touchcorp Scheme Participant under this Touchcorp Deed Poll are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity.

8.6 Further assurances

Each party must, at its own expense, whenever requested by the other party, promptly do or, to the extent reasonably practicable, arrange for others to do everything, including executing any documents, reasonably necessary to give full effect to this Touchcorp Deed Poll and the transactions contemplated by this Touchcorp Deed Poll.

8.7 Governing law and jurisdiction

- (a) This Touchcorp Deed Poll is governed by the laws of Bermuda.
- (b) Afterpay Touch Group irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Bermuda.

Deed Poll

Signing page

DATED: 10 May 2017

EXECUTED as a deed poll

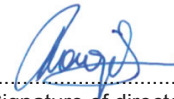
EXECUTED by **Afterpay Touch Group Limited** in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:



.....
Signature of director

DAVID HANCOCK

.....
Name of director (block letters)



.....
Signature of ~~director~~/company secretary

SOPHIE KARZIS

.....
Name of ~~director~~/company secretary (block letters)

Annexure E

Notice of Touchcorp Scheme Meeting

Touchcorp
(ARBN 603 731 184)
("Company")

Notice is hereby given that by an order of the Supreme Court of Bermuda (Bermudian Court) made on 12 May 2017 pursuant to section 99(1) of the Companies Act 1981 of Bermuda (Companies Act), a meeting of the holders of ordinary shares in the Company, an exempted company registered in Bermuda with registration number 48280, will be held at Ernst & Young, 8 Exhibition Street, Melbourne, Victoria 3000 on 19 June 2017 at 11.00am (AEST).

Business of the Touchcorp Scheme Meeting

To consider and, if thought fit, to pass the following resolution in accordance with section 99(2) of the Companies Act:

'That

- (a) subject to and conditional on the scheme of arrangement between Afterpay Holdings Limited and the holders of its fully paid ordinary shares (other than the Company or a subsidiary of the Company) (designated the 'Afterpay Scheme') being approved by the Federal Court of Australia under section 411(4) (b) of the Corporations Act 2001 (Cth) (with or without modifications or conditions as approved by the Federal Court of Australia) and an office copy of the order of the Federal Court of Australia approving the Afterpay Scheme being lodged with the Australian Securities and Investments Commission, pursuant to and in accordance with section 99 of the Companies Act, the scheme of arrangement proposed between the Company and the holders of its fully paid ordinary shares, designated the 'Touchcorp Scheme', the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Touchcorp Scheme Meeting forms part), is agreed to, with or without modifications or conditions as approved by the Bermudian Court; and
- (b) the directors of the Company are authorised to agree to such modifications or conditions as are thought fit by the Bermudian Court and, subject to sanction of the arrangement by the Bermudian Court, the board of directors of the Company is authorised to implement the Touchcorp Scheme with any such modifications or conditions.'

By order of the Bermudian Court



Sophie Karzis
Company Secretary
12 May 2017

Explanatory Notes:

These notes should be read in conjunction with this Notice of Touchcorp Scheme Meeting.

Terminology

Capitalised terms which are defined in section 10 of the Scheme Booklet which accompanies this Notice of Touchcorp Scheme Meeting have the same meaning when used in this notice (including these explanatory notes) unless the context requires otherwise.

Chairperson

The Bermudian Court has directed that the Company's Chairman, Mr Michael Jefferies, act as Chairperson of the Touchcorp Scheme Meeting or, failing him, any other director of the Company or other person duly elected by the Touchcorp Shareholders at the Touchcorp Scheme Meeting (unless the members at the meeting elect some other person to act as Chairperson of the meeting) and has directed the Chairperson to report the result of the meeting to the Bermudian Court.

Majority required

In accordance with section 99(2) of the Companies Act, the resolution contained in this Notice of Touchcorp Scheme Meeting must be passed by a majority in number representing 75% in value of the Touchcorp Shareholders present and voting (either in person, by proxy, by attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Touchcorp Scheme Meeting.

The Chairperson of the Touchcorp Scheme Meeting proposes to call for the vote to be conducted by poll.

Entitlement to vote

The Bermudian Court has ordered that, for the purposes of the Touchcorp Scheme Meeting, Touchcorp Shares will be taken to be held by the persons who are registered as Touchcorp Shareholders at 7.00pm (AEST) on Friday, 16 June 2017. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Touchcorp Scheme Meeting.

Voting in person

To vote in person at the Touchcorp Scheme Meeting, you must attend the Touchcorp Scheme Meeting to be held at Ernst & Young, 8 Exhibition Street, Melbourne, Victoria 3000 on 19 June 2017 at 11.00am (AEST).

You will be admitted to the Touchcorp Scheme Meeting and given a voting card upon disclosure at the point of entry of your name and address.

Voting by proxy

A Touchcorp Shareholder who is entitled to attend and vote at the Touchcorp Scheme Meeting may appoint one proxy or, if the Touchcorp Shareholder is entitled to cast 2 or more votes at the Touchcorp Scheme Meeting, 2 proxies, to attend and vote instead of the Touchcorp Shareholder.

Where 2 proxies are appointed to attend and vote at the Touchcorp Scheme Meeting, each proxy may be appointed to represent a specified proportion or number of the Touchcorp Shareholder's voting rights at the Touchcorp Scheme Meeting.

A proxy need not be a Touchcorp Shareholder.

A proxy may be an individual or a body corporate. If a body corporate is appointed, the proxy form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate.

A proxy may be an individual or a body corporate. If a body corporate is appointed, the proxy form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate.

A personalised proxy form accompanies this Notice of Touchcorp Scheme Meeting. If a Touchcorp Shareholder wishes to appoint more than 1 proxy, they may make a copy of the personalised proxy form attached to this Notice of Touchcorp Scheme Meeting. For the proxy form to be valid, it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a (notarially) certified copy of that power of attorney or other authority (if any), by 11.00am (AEST) on Saturday, 17 June 2017:

- **online** – by going to www.investorvote.com.au or by scanning the QR code, found on the enclosed proxy form with your mobile device; or
- **by post** – addressed to GPO Box 242, Melbourne, Victoria, 3001; or
- **by personal delivery** – at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067; or
- **by facsimile:**
 - within Australia, addressed to 1800 783 447; or
 - overseas, addressed to +61 3 9473 2555; or
- **by custodian** – for Intermediary Online subscribers only (Custodians), please visit www.intermediaryonline.com to submit your voting intentions.

Annexure E

Notice of Touchcorp Scheme Meeting

(continued)

Proxy voting by the Chairperson of the Touchcorp Scheme Meeting

If you complete a proxy form that authorises the Chairperson of the Touchcorp Scheme Meeting to vote on your behalf as proxy, and you do not mark any of the boxes so as to give him a direction about how your vote should be cast on the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting, then you will be taken to have expressly authorised the Chairperson of the Touchcorp Scheme Meeting to exercise your proxy on the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting.

In accordance with this express authority provided by you, the Chairperson of the Touchcorp Scheme Meeting will vote in favour of the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting.

If you wish to appoint the Chairperson of the Touchcorp Scheme Meeting as your proxy, and you wish to direct him how to vote on the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting, please tick the appropriate box on the proxy form.

The Chairperson of the Touchcorp Scheme Meeting intends to vote all available undirected proxies in favour of the resolution to approve the Touchcorp Scheme at the Touchcorp Scheme Meeting.

Jointly held securities

If the Touchcorp Shares are jointly held, only one of the joint Touchcorp Shareholders is entitled to vote. If more than one joint Touchcorp Shareholder votes, only the vote of the Touchcorp Shareholder whose name appears first in the Touchcorp Share Register will be counted.

Voting by attorney

A Touchcorp Shareholder entitled to attend and vote at the Touchcorp Scheme Meeting may appoint an attorney to vote at the Touchcorp Scheme Meeting.

Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney to the Touchcorp Scheme Meeting, unless Touchcorp has already received and noted it.

Voting by corporate representative

To vote at the Touchcorp Scheme Meeting a corporation who is a Touchcorp Shareholder, or who has been appointed as a proxy by a Touchcorp Shareholder, may appoint a person to act as its corporate representative.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with bye-law 52 of the bye-laws of Touchcorp. An authorised corporate representative will be admitted to the Touchcorp Scheme Meeting and given a voting card upon providing, at the point of entry to the Touchcorp Scheme Meeting, written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

Bermudian Court sanction

If the resolution contained in this Notice of Touchcorp Scheme Meeting is approved at the Touchcorp Scheme Meeting by the Requisite Majorities, the implementation of the Touchcorp Scheme (with or without modification) will be subject to, among other things, the subsequent sanction of the Bermudian Court.



Touchcorp Limited
ARBN 603 731 184




Touchcorp Limited
Incorporated in Bermuda
ARBN 603 731 184

TCH

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

By personal delivery
at Yarra Falls, 452 Johnston Street, Abbotsford,
Victoria, 3067

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Touchcorp Scheme Meeting Proxy Form

XX



Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 11.00am (AEST) on Saturday, 17 June 2017

This is an important document and requires your immediate attention. You should read the Touchcorp Limited Scheme Booklet dated 12 May 2017 carefully and in its entirety before deciding whether or not to vote in favour of the Touchcorp Scheme. You should also read this form carefully. Terms defined in the Touchcorp Limited Scheme Booklet have the same meaning in this form (unless the context otherwise requires). If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Appointment of proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of Touchcorp Shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: If you are entitled to cast two or more votes at the Touchcorp Scheme Meeting, you may appoint up to two proxies to attend the Touchcorp Scheme Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of Touchcorp Shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of Touchcorp Shares for each in Step 1 overleaf.

A proxy need not be a Touchcorp Shareholder.

Signing instructions for postal forms

Individual: Where the holding is in one name, the Touchcorp Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Touchcorp Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this form when you return it.

Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Touchcorp Scheme Meeting

Bring this form to assist registration. If a representative of a corporate Touchcorp Shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

**GO ONLINE TO VOTE,
or turn over to complete the form** →



MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Touchcorp Shareholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Touchcorp Scheme Meeting Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a proxy to vote on your behalf

XX

I/We being a member/s of Touchcorp Limited (the Company) hereby appoint

the Chairperson of the Touchcorp Scheme Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairperson of the Touchcorp Scheme Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson of the Touchcorp Scheme Meeting, as my/our proxy to act generally at the Touchcorp Scheme Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Touchcorp Scheme Meeting to be held at Ernst & Young, 8 Exhibition Street, Melbourne, Victoria 3000 on Monday, 19 June 2017 at 11.00am (AEST) and at any adjournment or postponement of that Touchcorp Scheme Meeting.

The Chairperson of the Touchcorp Scheme Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairperson of the Touchcorp Scheme Meeting may change his/her voting intention, in which case an ASX announcement will be made.

STEP 2 Item of business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
'That	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(a) subject to and conditional on the scheme of arrangement between Afterpay Holdings Limited and the holders of its fully paid ordinary shares (other than the Company or a subsidiary of the Company) (designated the 'Afterpay Scheme') being approved by the Federal Court of Australia under section 411(4)(b) of the <i>Corporations Act 2001</i> (Cth) (with or without modifications or conditions as approved by the Federal Court of Australia) and an office copy of the order of the Federal Court of Australia approving the Afterpay Scheme being lodged with the Australian Securities and Investments Commission, pursuant to and in accordance with section 99 of the Companies Act, the scheme of arrangement proposed between the Company and the holders of its fully paid ordinary shares, designated the 'Touchcorp Scheme', the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Touchcorp Scheme Meeting forms part), is agreed to, with or without modifications or conditions as approved by the Bermudian Court; and			
(b) the directors of the Company are authorised to agree to such modifications or conditions as are thought fit by the Bermudian Court and, subject to sanction of the arrangement by the Bermudian Court, the board of directors of the Company is authorised to implement the Touchcorp Scheme with any such modifications or conditions.'			

SIGN Signature of Touchcorp Shareholder(s)

This section must be completed.

Individual or Touchcorp Shareholder 1

Sole director and sole company secretary

Touchcorp Shareholder 2

Director

Touchcorp Shareholder 3

Director/company secretary

Contact Name _____

Contact Daytime Telephone _____

Date / / _____

TCH

999999A

Computershare +