Appendix 4D
Half Year Financial Report

1. Company Results

Name of Entity:	Zip Co Limited
ACN:	139 546 428
Reporting Period:	Half Year ended 31 December 2024
Previous Period:	Half Year ended 31 December 2023

The information contained in this report should be read in conjunction with the most recent annual financial report.

2. Results for Announcement to the Market

			31 December 2024 $'000	**31 December 2023 $'000**
Revenue from ordinary activities	UP	20%	509,234	425,476
Profit from ordinary activities after income tax attributable to members	DOWN	(69)%	23,005	73,033
Total comprehensive income attributable to members	DOWN	(21)%	45,104	57,205

The company does not have a dividend policy.

	31 December 2024	**31 December 2023**
Total number of ordinary shares on issue	1,305,590,863	991,621,973
Net tangible asset backing per ordinary share[1]	27.17 cents	9.75 cents

1. Net tangible assets include right-of-use assets which are recognised by the Group in accordance with AASB 16.

Brief Explanation of the Above Figures

Please refer to the Review of Operations in the Directors' Report for an explanation of the results.

3. Details of Entities Which Control has Been Gained or Lost

Refer to Note 16 for changes in controlled entities in the half year ended 31 December 2024.

4. Associates and Joint Venture Entities

There were no changes in associates and joint ventures during the half year ended 31 December 2024.

5. Review Conclusion

This report is based on the condensed consolidated financial statements for the half year ended 31 December 2024.

The condensed consolidated financial statements have been subject to a review by an independent auditor and an unmodified opinion has been issued.

6. Dividends

No dividends have been declared for the half year ended 31 December 2024 or for the previous corresponding period.

Signed

Cynthia Scott
Group CEO and Managing Director

25 February 2025

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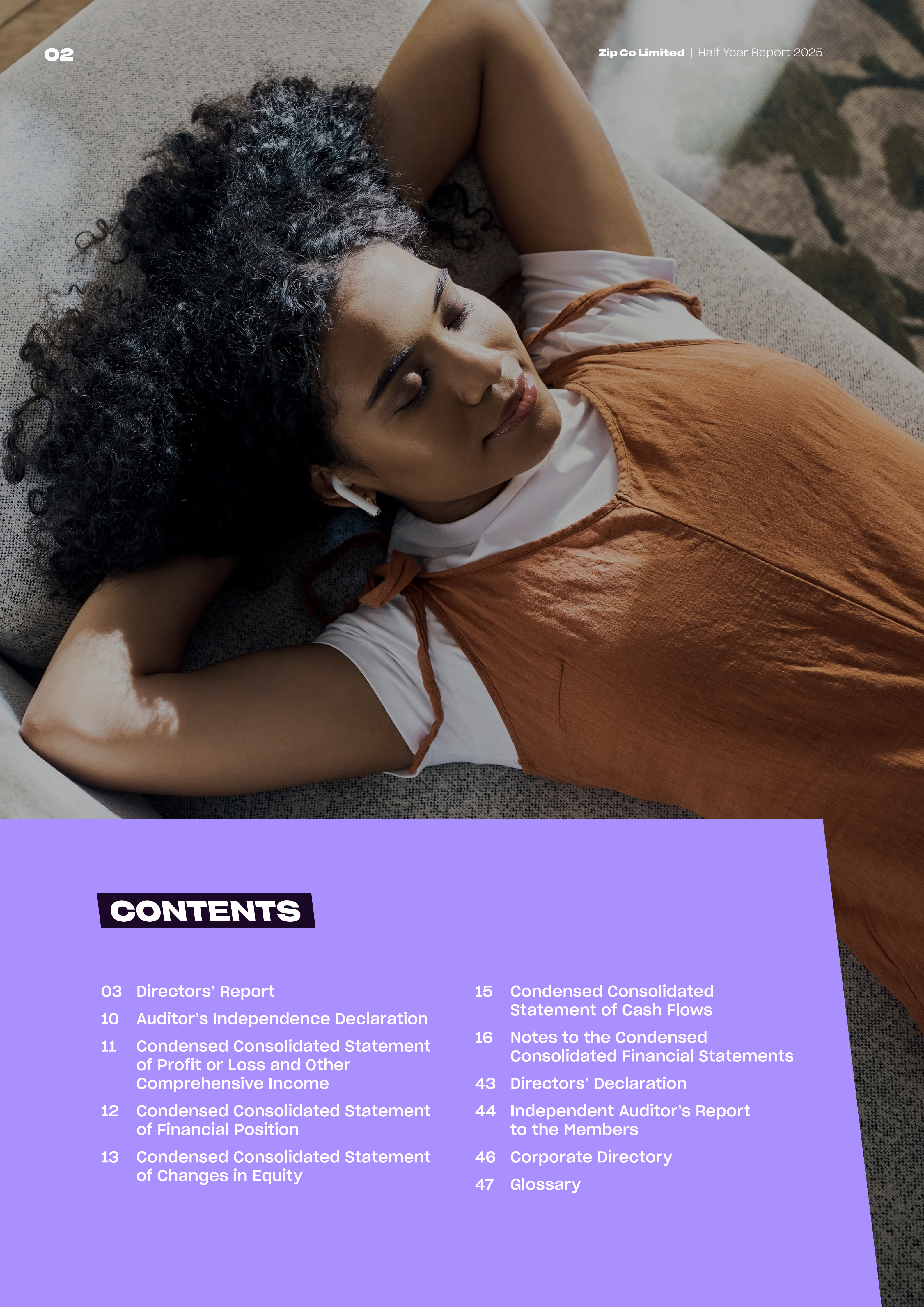
Half Year Report

31 December 2024

Zip Co Limited
ACN 139 546 428
Level 7, 180 George Street
Sydney NSW 2000
zip.co/home



CONTENTS

Directors' Report

The Directors are pleased to present their report on Zip Co Limited and its controlled entities (consolidated entity or Group) for the half year ended 31 December 2024.

Directors

The following persons were Directors of Zip Co Limited (Zip or the Company) during the financial period and up to the date of this report:

- Diane Smith-Gander AO
- Cynthia Scott
- Meredith Scott
- Kevin Moss
- Matthew W. Schuyler (appointed as Director on 7 October 2024)
- Larry Diamond (resigned as Director on 3 December 2024)
- John Batistich (retired as Director on 7 November 2024).

Principal Activities

Zip is a leading player in the digital retail finance and payments industry. Established in 2013, the Group is headquartered in Sydney, Australia with operations currently providing services in Australia, New Zealand (together "ANZ") and the United States of America ("USA").

Zip offers access to point-of-sale credit and digital payment services, connecting customers with its network of merchants.

Zip's ordinary shares have been listed on the Australian Securities Exchange (ASX code: ZIP) since 2015.

Directors' Report continued

Operational and Financial Review

Review of Operations

Zip provides unsecured loans either directly or through a banking partner to consumers, both online and in-store, through the provision of line-of-credit and instalment products. Revenue is generated from merchants (merchant fees), consumers (predominantly service fees, monthly fees, establishment fees and interest) and transaction processing fees, affiliate fees and interchange fees.

Zip has continued to deliver sustainable growth and has focused on execution of its three strategic priorities in the half year ended 31 December 2024:

Growth and engagement

Scale and enhance core products and partnerships

- Added new key merchants in targeted verticals to the Zip platform including ticketing, travel and automotive
- Integrated Zip products into new partner platforms
- Launched marketing initiatives in US and ANZ to drive increased customer engagement

Product innovation

Unlocking new customer and market segments for growth

- Scaled Pay-in-8 and continued development of more flexible Pay-in-Z offering
- Extended Zip Plus (AU) offering to new Zip customers
- Launched Personal Loans product in January 2025 (AU)

Operational excellence

Strengthening our core platforms and balance sheet to support scale

- Repaid all corporate debt
- Successfully completed $1.1b of refinancing in AU
- Upsized US funding facility to US$300.0m
- Investment in risk management systems, processes and people

Directors' Report continued

Financial Performance

For the Half Year Ended 31 December	2024 $'M	2023 $'M	Change %
Continuing operations			
Total income	514.0	429.2	20%
Cash cost of sales	(278.5)	(248.2)	12%
Cash gross profit[1]	**235.5**	**181.0**	**30%**
Movement in bad debt provision and amortisation of funding costs	(35.0)	11.7	400%
Gross profit[1]	**200.5**	**192.7**	**4%**
Salaries and employee benefits expenses	(89.7)	(72.5)	24%
Marketing expenses	(27.5)	(21.0)	31%
Information technology expenses	(24.1)	(20.4)	18%
Depreciation and amortisation expenses	(32.0)	(32.4)	(1)%
Share-based payments	(5.6)	(5.5)	1%
Interest on operations[2]	(29.2)	(5.8)	403%
Corporate financing costs	(0.7)	(41.8)	(98)%
Other operating expenses	(17.7)	(26.6)	(33)%
Non-operating expenses, gains and losses	(2.3)	120.5	102%
(Loss)/profit before income tax from continuing operations	**(28.3)**	**87.2**	**(132)%**
Depreciation and amortisation	32.0	32.4	(1)%
EBTDA[1]	**3.8**	**119.6**	**(97)%**
Non-cash items, corporate and one-off items			
Share-based payments	5.6	5.5	1%
Non-operating expenses, gains and losses	2.4	(117.3)	102%
Convertible notes incentivised payments and other costs	–	31.5	(100)%
Amortisation – corporate funding	28.1	–	
Non-cash items and discontinued operations	27.1	(8.5)	420%
Group Cash EBTDA[1]	**67.0**	**30.8**	**117%**

1. Measures categorised as Non-IFRS financial information, prepared in accordance with ASIC Regulatory Guidance 230 – *Disclosing non-IFRS financial information*, that is used to manage and report on the Group. Refer to Glossary for more detail on Non-IFRS disclosures.
2. Includes $28.1 million of amortisation of corporate funding costs due to the repayment of the corporate funding facility.

* Comparative information has been restated due to discontinued operations, please refer to Note 14.

Total income from continuing operations increased 20% from the prior year due to a 23.9% increase in total transaction volumes driven by strong growth in the USA.

The increase in total transaction volumes and revenue, together with disciplined debt arrears performance and improved receivables funding margins, drove a 30% increase in cash gross profit compared to the prior period.

The Group's focus on operational leverage resulted in Group Cash EBTDA of $67.0 million, growing 117% over the prior period.

Interest on operations increased from the prior period reflecting the accelerated amortisation of borrowing costs on the corporate funding facility and part month's interest as the facility was repaid in July 2024 following a successful equity raise.

Movement in bad debt provision predominantly reflects growth in the USA business and a higher overlay in Australia due to economic climate and conditions.

Directors' Report continued

Corporate financing costs have reduced due to extinguishment of the the convertible notes in FY24 via a combination of repayment, senior convertible note consent solicitation, incentivised and regular conversion.

Non-operating expenses, gains and losses movement is driven by the consent solicitation gain recognised in 1H FY24.

Operational Performance

Zip's performance is driven by a number of key operating metrics including transaction volumes, and the number of active customers, transactions and integrated merchants. These measures are categorised as Non-IFRS financial information, prepared in accordance with ASIC Regulatory Guidance 230 – *Disclosing non-IFRS financial information*, and are used to manage and report on the Group. Refer to Glossary for more detail on Non-IFRS disclosures.

Total Transaction Volumes (TTV)

For the Half Year Ended 31 December	2024 $'M	2023 $'M	Change %
ANZ	1,888.5	1,912.3	(1.2)%
USA	4,359.0	3,130.6	39.2%
Total Transaction Volumes	**6,247.5**	**5,042.9**	**23.9%**

Total transaction volumes generated by consumers have grown to $6.2 billion, an increase of 23.9%.

The USA experienced strong TTV growth of 39.2%, driven by increased engagement from existing customers, together with year-on-year growth in the number of active customers of 6.2%.

The ANZ business TTV reduced by 1.2% from the prior corresponding period as the business strategy employed a more cautious, disciplined credit underwriting appetite and overall portfolio yield performance as the Australian macro economy experienced a higher for longer interest rate environment.

Active Customers

For the Half Year Ended 31 December	2024 M	2023 M	Change %
ANZ	2.1	2.3	(6.2)%
USA	4.2	4.0	6.2%
Total Active Customers	**6.3**	**6.3**	**1.5%**

The number of active customers across Zip's continuing operations has increased during the current reporting period, reflecting the initial impact of various initiatives to stimulate growth in all regions which Zip operates.

Transactions

For the Half Year Ended 31 December	2024 M	2023 M	Change %
ANZ	23.5	22.3	5.5%
USA	22.2	16.3	35.9%
Total Transactions	**45.7**	**38.6**	**18.4%**

The number of transactions in ANZ has increased in the current period due to growth in Zip Plus accounts and internal initiatives to stimulate growth.

Transaction numbers in the USA have grown 35.9% driven by growth in the number of active customers and continued growth from existing customers.

Directors' Report continued

Merchants

For the Half Year Ended 31 December	2024 K	2023 K	Change %
ANZ	57.5	52.1	10.5%
USA	24.4	24.1	1.3%
Total Merchants	**81.9**	**76.2**	**7.6%**

Integrated merchants increased across Zip's continuing operations as merchants continue to see the benefits of joining Zip's platform and accessing Zip's consumer base directly.

Balance Sheet and Capital Management

Cash

	31 December 2024 $'M	30 June 2024 $'M	Change %
Cash, cash equivalents and restricted cash	527.0	353.0	49.3%
Less: unavailable cash			
Restricted cash	(332.2)	(231.7)	(43.4)%
Operational floats	(27.0)	(43.9)	38.3%
Add: excess invested securitisation warehouses and special purpose vehicles	27.8	2.9	851.0%
Available Cash and Liquidity	**195.5**	**80.4**	**143.1%**

Cash, cash equivalents and restricted cash grew $174.0 million over the prior corresponding period as a result of:

- $95.4 million of positive cash flows from operations generated from positive cash earnings, increases in pre-funding of transaction volumes by partners and increased receipts from customers;
- $(9.4) million of cash flows used in investing activities for capital expenditure and payments to the employee share trust; and
- $49.7 million of positive financing cash flows from net proceeds of the equity raise (refer note 13); offset by the net repayment of borrowings.

Receivables

	31 December 2024 $'M	30 June 2024 $'M	Change %
Gross customer receivables	2,802.1	2,564.2	9.3%
Unearned future income	(32.7)	(23.4)	(39.6)%
Provision for expected credit losses	(177.0)	(142.2)	(24.5)%
Customer Receivables	**2,592.4**	**2,398.6**	**8.1%**
Split as:			
ANZ	1,983.8	2,022.6	(1.9)%
USA	608.6	376.0	61.9%
Customer Receivables	**2,592.4**	**2,398.6**	**8.1%**

The Group's receivables portfolio increased 8.1% to $2,592 million at 31 December 2024, reflecting the strong total transaction volume growth in the USA.

The provision for expected credit losses has increased from 5.5% to 6.3% of gross customer receivables, resulting from growth in new customer numbers and increased allowance for potential future economic conditions.

Directors' Report continued

Receivables Funding Facilities

Facility	Lender	Facility Limit $M	Drawn at 31 December 2024 $M	Maturity
Zip Master Trust				
– Rated Note Series				
– 2023-1	Public ABS	190.0	190.0	May-26
– 2023-2	Public ABS	285.0	267.0	Oct-26
– 2024-1	Public ABS	285.0	285.0	Oct-25
– 2024-2	Public ABS	332.5	332.5	Sep-27
– Variable Funding Note	Private Facility	468.3	413.8	Mar-25
– Variable Funding Note 3	Private Facility	285.0	199.5	Jun-27
– Variable Funding Note 4	Private Facility	285.0	190.0	Mar-27
zipMoney 2017-1 Trust	Private Facility	155.5	111.7	Jul-26
Zip NZ Trust 2021-1	Private Facility	18.1	12.7	Jul-26
AR3LLC	Private Facility	481.4	325.8	Dec-26
Total		**2,785.8**	**2,328.0**	

The Group had total facilities of $2,286.3 million available to fund its Australian consumer receivables at 31 December 2024, of which $1,989.5 million was drawn ($296.8 million undrawn and available).

Zip has a facility totalling US$300.0 million to fund its US consumer receivables which was drawn to US$203.0 million at 31 December 2024.

Zip New Zealand facility has a limit of NZ$20.0 million available to fund receivables in New Zealand, drawn to NZ$14.0 million at 31 December 2024.

During the half year ended 31 December 2024, Zip executed the following:

- Zip successfully completed a $350.0 million rated note issuance for three years within the Master Trust (2024-2) with a weighted-average margin of 2.13% and the senior notes being AAA-rated, Zip retained 5.0% of the facility. The proceeds were used to repay the $698.4 million Master Trust (2021-2) that matured on 10 September 2024;
- Zip successfully established a new $300.0 million warehouse facility for two and half years within the Zip Master Trust, Zip retained 5.0% of the facility. The proceeds were used to repay the $698.4 million Master Trust (2021-2) that matured on 10 September 2024;
- Zip successfully extended the 2017-1 facility for two years with existing senior financiers and a new mezzanine investor. This facility is a smaller trust separate to Zip's Master Trust funding vehicle. The revised facility limit increased to $155.5 million;
- Zip successfully extended the Zip NZ facility for two years with its existing senior financier;
- In October 2024, Zip renegotiated the increase to the US funding facility (AR3LLC) from US$225.0 million to US$300.0 million, improving the capital efficiency of the facility and providing additional funding flexibility to support USA growth over the medium term; and
- Zip successfully renegotiated terms on VFN3 in December 2024, extending maturity from April 2026 to June 2027.

Corporate Debt Facility and Equity Capital

In July 2024, Zip successfully completed a fully underwritten equity placement, raising $217.0 million, (before costs) from new and existing institutional investors and in August 2024, an additional $50.1 million was raised through a Share Purchase Plan from existing retail investors. These funds further strengthened Zip's balance sheet with proceeds used to pay down the Company's corporate debt facility and the associated exit fee.

Directors' Report continued

Change in the State of Affairs

Other than detailed in this report, no significant changes in the state of affairs of the consolidated entity occurred during the half year.

Future Developments

In future financial periods, Zip will continue to focus on growth in core markets, to deliver sustainable growth and profitability.

Environmental Regulation

The Group is not subject to any significant environmental regulation under a law of the Commonwealth, State or Territory of Australia, or in any of the other jurisdictions that the Group currently has, or is soon to have, a presence in.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Post Balance Date Events

Apart from as otherwise disclosed in this report there were no further material items, transactions or events subsequent to 31 December 2024 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Cynthia Scott
Group CEO and Managing Director

25 February 2025

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower,
50 Bridge St,
Sydney, NSW, 2000
Australia

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The Board of Directors
Zip Co Limited
Level 7, 180 George Street
Sydney NSW 2000

25 February 2025

Dear Board Members

Auditor's Independence Declaration to Zip Co Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Zip Co Limited.

As lead audit partner for the review of the financial report of Zip Co Limited for the half year ended 31 December 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

As at 31 December 2024

		Consolidated	
	Note	31 December 2024 $'000	31 December 2023* $'000
Continuing operations			
Portfolio interest income		408,624	347,880
Transactional income		100,610	77,596
Revenue		509,234	425,476
Other income		4,811	3,676
Bad debts and expected credit losses	8	(129,505)	(75,664)
Bank fees and data costs		(74,902)	(62,017)
Interest expense	3	(138,300)	(104,933)
Salaries and employee benefits expenses		(89,688)	(72,523)
Marketing expenses		(27,503)	(21,029)
Information technology expenses		(24,149)	(20,406)
Depreciation and amortisation expenses	3	(32,040)	(32,426)
Share-based payments		(5,602)	(5,540)
Corporate financing costs	3	(667)	(41,826)
Other operating expenses	3	(17,667)	(26,550)
Share of loss of associates		–	(2,248)
Fair value loss on financial instruments	3	–	(15,020)
Net other (losses)/gains	3	(2,297)	138,238
(Loss)/profit before income tax from continuing operations		**(28,275)**	**87,208**
Income tax benefit/(expense) from continuing operations	4	51,280	(14,454)
Profit after income tax from continuing operations		23,005	72,754
Profit after income tax from discontinued operations	14	–	279
Profit for the period after income tax attributable to the Members of Zip Co Limited		**23,005**	**73,033**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation		22,099	(15,828)
Other comprehensive income/(loss) for the period, net of tax		22,099	(15,828)
Total comprehensive income for the period attributable to the Members of Zip Co Limited		**45,104**	**57,205**
		Cents	Cents
Earnings per share from continuing operations			
Basic earnings per share	5	1.84	8.34
Diluted earnings per share	5	1.82	7.05
Earnings per share from continuing and discontinued operations			
Basic earnings per share	5	1.84	8.37
Diluted earnings per share	5	1.82	7.08

* Comparative information has been restated due to discontinued operations, please refer to Note 14.

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 31 December 2024

	Note	Consolidated 31 December 2024 $'000	30 June 2024 $'000
Assets			
Cash and cash equivalents	6	194,744	121,346
Restricted cash	6	332,239	231,660
Other receivables	7	98,503	100,825
Term deposit		4,608	4,510
Customer receivables	8	2,592,429	2,398,592
Property, plant and equipment		2,949	2,857
Right-of-use assets		14,549	16,907
Intangible assets	9	78,723	96,087
Goodwill	10	222,228	209,476
Deferred tax assets	4	55,054	–
Total assets		**3,596,026**	**3,182,260**
Liabilities			
Trade and other payables	11	524,154	258,465
Employee provisions		16,272	18,539
Lease liabilities		15,061	17,094
Borrowings	12	2,329,853	2,403,140
Other financial liabilities		–	86,489
Total liabilities		**2,885,340**	**2,783,727**
Net assets		**710,686**	**398,533**
Equity			
Issued capital	13	2,617,371	2,339,769
Reserves		336,232	319,144
Accumulated losses		(2,242,917)	(2,260,380)
Total equity		**710,686**	**398,533**

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

Condensed Consolidated Statement of Changes in Equity

For the period ended 31 December 2024

Consolidated	Issued capital $'000	Treasury Shares $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Convertible notes reserve $'000	Accumulated losses $'000	Total Equity $'000
Balance at 1 July 2024	2,339,769	(33)	76,268	79,061	163,848	(2,260,380)	398,533
Profit after income tax benefit for the period	–	–	–	–	–	23,005	23,005
Other comprehensive income for the period, net of tax[1]	–	–	–	16,557	–	5,542	22,099
Total comprehensive income for the period	**–**	**–**	**–**	**16,557**	**–**	**28,547**	**45,104**
Recognition of share-based payments	–	–	5,757	–	–	–	5,757
Issue of shares to Zip Employee Share Trust	17,864	(17,864)	–	–	–	–	–
Issue of treasury shares to Zip Employees	(1,521)	13,054	(11,500)	–	–	–	33
Exercise of options	20	–	–	–	–	–	20
Issue of shares – capital raising	267,122	–	–	–	–	–	267,122
Cost of issuing of shares	(5,883)	–	–	–	–	–	(5,883)
Balance at 31 December 2024	**2,617,371**	**(4,843)**	**70,525**	**95,618**	**163,848**	**(2,231,833)**	**710,686**

1. During the period and adjustment to the foreign currency translation reserve has been recognised to account for historical differences.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity continued

Consolidated	Issued capital $'000	Treasury Shares $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Convertible notes reserve $'000	Accumulated losses $'000	Total Equity $'000
Balance at 1 July 2023	2,121,541	(1,246)	76,630	83,167	114,466	(2,160,218)	234,340
Profit after income tax expense for the period	–	–	–	–	–	73,033	73,033
Other comprehensive loss for the period, net of tax	–	–	–	(15,828)	–	–	(15,828)
Total comprehensive income for the period	**–**	**–**	**–**	**(15,828)**	**–**	**73,033**	**57,205**
Recognition of share-based payments	–	–	3,770	–	–	–	3,770
Issue of shares from Zip Employee Share Trust	3,936	(3,936)	–	–	–	–	–
Issue of treasury shares to Zip Employees	–	4,690	(4,690)	–	–	–	–
Issue of shares – CVI convertible Notes conversion	13,338	–	–	–	–	26,997	40,335
Issue of shares – Senior Convertible Notes conversion	61,468	–	–	–	–	(27,455)	34,013
Derecognition of pre-existing and recognition of new convertible notes	–	–	–	–	71,196	–	71,196
Deferred tax on equity component of Senior Convertible Notes	–	–	–	–	(21,814)	–	(21,814)
Balance at 31 December 2023	**2,200,283**	**(492)**	**75,710**	**67,339**	**163,848**	**(2,087,643)**	**419,045**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the period ended 31 December 2024

	Note	Consolidated 31 December 2024 $'000	31 December 2023 $'000
Cash flows from operating activities			
Revenue from customers		519,870	431,005
Payments to suppliers and employees		(240,948)	(225,393)
Net increase in merchant payables		258,695	126,069
Net increase in receivables		(335,490)	(105,690)
Borrowing transaction costs		(2,081)	(2,276)
Interest received from financial institutions		4,754	2,869
Interest paid		(106,091)	(112,840)
Income tax paid		(3,305)	–
Net cash flow from operating activities		**95,404**	**113,744**
Cash flows used in investing activities			
Payments for plant and equipment		(993)	(270)
Payments for software development		(8,751)	(9,626)
Proceeds from disposal of loans		384	–
Deferred consideration		–	(2,028)
Proceeds from sale of/(purchase of) investments in associates		–	3,132
Payments for investments at FVTPL		–	(1,544)
Decrease in term deposits		–	1,853
Net cash flow used in investing activities		**(9,361)**	**(8,483)**
Cash flows from/(used in) financing activities			
Proceeds from borrowings		822,426	495,841
Repayment of borrowings		(942,530)	(512,976)
Repayment of convertible notes		–	(10,753)
Payment for incentive in relation to the convertible notes conversion		–	(31,496)
Repayment of principal of lease liabilities		(2,518)	(1,522)
Proceeds from issue of shares		267,142	–
Transaction costs related to issues of equity securities or convertible debt securities		(5,883)	(3,632)
Transaction costs related to loans and borrowings		(88,889)	(6,915)
Net cash flow from/(used in) financing activities		**49,749**	**(71,453)**
Net increase in cash and cash equivalents		135,793	33,808
Cash, cash equivalents, restricted cash at the beginning of the period		353,006	275,910
Foreign exchange effect		38,184	(5,882)
Cash, cash equivalents, restricted cash at the end of the period	6	**526,983**	**303,836**

1. The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e., including both continuing and discontinued operations.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

Note 1. Material Accounting Policies

A. Business

Zip is a leading player in the digital retail finance and payments industry. Established in 2013, the Group is headquartered in Sydney, Australia with operations currently providing services in Australia, New Zealand (together "ANZ") and the United States of America ("USA").

Zip offers access to point-of-sale credit and digital payment services, connecting customers with its network of merchants.

Zip's ordinary shares have been listed on the Australian Securities Exchange (ASX code: ZIP) since 2015. Zip Co Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity', the 'Group' or 'Zip'.

B. Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The condensed consolidated financial statements comprise the condensed consolidated financial statements of the consolidated entity. For the purposes of preparing the condensed consolidated financial statements, the consolidated entity is a for-profit entity.

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 25 February 2025.

C. Basis of Preparation

The Report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars and Zip is of a kind referred to in ASIC Corporations *(Rounding in Financial/Directors' Reports) Instrument 2016/191*, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars ($'000), unless otherwise indicated. When necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period. The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in Zip's financial report for the year ended 30 June 2024 except as discussed in Note (e) Adoption of New and Revised Accounting Standards.

Comparative Figures

Prior Period Adjustments

When necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

Discontinued operations

The financial results of businesses classified as discontinued operations are excluded from the results of the continuing operations and are presented as a single line item profit or loss after income tax expense from discontinued operations in the statement of profit or loss and other comprehensive income. During the financial year ended 30 June 2024, the Group discontinued its Zip Business operations; refer to Note 2 for further information. For the six months ended 31 December 2023, financial results of Zip Business have been classified as discontinued operations including revenue of $4.7 million, expenditure of $(4.4) million and gain after tax of $0.3 million (Note 14). As required by AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the condensed consolidated statement of financial position is not restated when a business is classified as a discontinued operation.

Notes to the Condensed Consolidated Financial Statements continued

D. Going Concern

The Directors have prepared the condensed consolidated financial statements on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The process of assessing going concern requires significant judgment, specifically in consideration of whether significant doubts or material uncertainties exist, and the identification and assessment of any relevant mitigating factors to these uncertainties.

The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group will continue normal business activities, realise assets and settle liabilities in the normal course of business. The Group actively engages with funders in the normal course of business to extend existing facilities and set-up new arrangements and has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

E. Adoption of New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half year and that have a significant impact on the consolidated entity's financial statements. There were no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that have materially impacted the consolidated entity's financial statements for the half year ended 31 December 2024.

The consolidated entity has not adopted any accounting standards that are issued but not yet effective. The consolidated entity has considered the applicability and impact of all recently issued accounting pronouncements and has determined that they were either not applicable or were not expected to have a material impact on the condensed financial statements.

F. Critical Accounting Estimates and Judgements

In preparing this Report, the consolidated entity has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results in the future.

Provision for Expected Credit Loss

Customer receivables are initially recognised at fair value. Subsequently, they are classified and measured at amortised cost.

An expected credit loss model is used for the assessment of impairment of customer receivables under AASB 9 *Financial Instruments*. Expected credit losses (ECL) are based on the difference between the contractual cash flows due in accordance with the terms of the consolidated entity's products and all the cash flows that the consolidated entity expects to receive from its customers. The expected credit losses are calculated based on either twelve months or the lifetime of the customer receivables.

ECL is the product of Probability of default (PD), Exposure at default (EAD), and Loss given default (LGD). LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. PD constitutes a key input in measuring ECL and it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

When measuring expected credit losses the consolidated entity uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Management consider that the key source of estimation uncertainty relates to the formulation and incorporation of forward-looking economic inputs into the ECL estimates to meet the measurement objective of AASB 9.

Judgement has been applied in the calculation of expected credit losses, including in the assessment of the macroeconomic overlay in the half year ended 31 December 2024. Refer to Note 8 for further details.

Notes to the Condensed Consolidated Financial Statements continued

Impairment of Non-Financial Assets

Non-financial assets other than goodwill and other indefinite life intangible assets are reviewed for indicators of impairment. Goodwill and other indefinite life intangible assets are tested for impairment annually or more frequently if there are indications that goodwill and indefinite life intangible assets might be impaired. If an intangible asset was recognised during the current annual period, that intangible asset is tested for impairment before or at the end of the current annual period.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a discount rate specific to the asset or cash-generating unit (CGU) to which the asset belongs.

CGUs are defined as the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination.

Intangible assets such as customer relationships and trademarks used by the consolidated entity for its own activities are unlikely to generate largely independent cash inflows and are therefore tested at a CGU level.

Fair Value Measurements and Valuation Processes

The consolidated entity measures certain assets and liabilities at fair value for financial reporting purposes. In estimating the fair value of these assets and liabilities, the consolidated entity uses market observable data to the extent it is available. Where market observable data is not available, the consolidated entity engages qualified third party valuers to assist with the valuation and work closely with management to establish the appropriate valuation techniques and inputs to the valuation model. Key inputs to the valuation model for valuation of derivatives embedded in convertible notes, warrants and corporate facility recognised as financial liability include Zip's share price, volatility and the risk-free rate.

G. Principles of Consolidation

The condensed consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Zip Co Limited ('parent entity') as at 31 December 2024 and the results of all subsidiaries for the six months then ended.

H. Revenue Recognition

Portfolio Interest Income

The consolidated entity recognises portfolio interest income on customer receivables using the effective interest rate method (in accordance with AASB 9), based on estimated future cash receipts over the expected life of the financial asset. In making their judgement of the estimated future cash flows and the expected life of the customer receivables balance, the Group has considered the historical repayment pattern of the customer receivables on a portfolio basis for each type of its products.

These estimates require significant judgment and will be reviewed on an ongoing basis and where required, appropriate adjustments to the recognition of revenue will be made.

The Group consider that revenue from Merchant fees, Service fees, Monthly fees and Interest are akin to financial or portfolio interest income which should be accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Condensed Consolidated Financial Statements continued

Transactional Income

Transactional income includes Establishment fees, Transaction processing fees, Affiliate fees and Interchange which are recognised in accordance with AASB 15 and not considered portfolio interest income.

I. Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash is held by the securitisation warehouses and special purpose vehicles and is not available to pay creditors of the consolidated entity.

J. Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition of the business, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the consolidated entity's CGUs (or groups of CGUs) that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is so allocated is (a) representing the lowest level within the entity at which the goodwill is monitored for internal management purposes; and (b) not be larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to acquired intangibles, and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit if further impairment is needed. Any impairment loss for goodwill is recognised directly in profit or loss.

K. Financial Instruments

Initial Recognition and Subsequent Measurement of Financial Instruments

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial Assets

Financial assets are initially measured at fair value. Financial assets are subsequently measured at amortised cost and include term deposits, other receivables (excluding prepayments) and customer receivables. Customer receivables are non-derivative financial assets which are measured at amortised cost using the effective interest method, less any impairment. Financial assets that do not meet the criteria for being measured at amortised cost or Fair Value Through Other Comprehensive Income (FVTOCI) are measured at Fair Value Through Profit and Loss (FVTPL). The consolidated entity did not have any financial assets measured at FVTOCI at 31 December 2024 and 30 June 2024.

Financial assets at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss is recognised in profit or loss. There is no requirement to recognise an impairment loss.

Notes to the Condensed Consolidated Financial Statements continued

Financial Liabilities

Financial liabilities are initially measured at fair value.

Financial liabilities including trade and other payables, loans and borrowings, deferred contingent considerations and the debt component of convertible notes are measured subsequently at amortised cost. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities at FVTPL are initially measured at fair value and subsequently measured at fair value at each reporting date. Any gains or losses arise on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Derecognition of Financial Assets and Liabilities

The consolidated entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The consolidated entity derecognises financial liabilities when, and only when, the consolidated entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

L. Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and any adjustment recognised for prior periods, where applicable.

Where uncertainty exists over the income tax treatments of certain tax positions, an assessment of each uncertain tax position is made based on whether it is considered probable that the relevant taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates. The consolidated entity has assessed the impact of the interpretation and does not believe that there are any uncertain tax positions for which the consolidated entity is required to reflect a different tax treatment in determining both current and deferred taxes.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Condensed Consolidated Financial Statements continued

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The consolidated entity has recognised deferred tax assets arising from temporary differences and tax losses to the extent required to equal deferred tax liabilities for the half year ended 31 December 2024 and 30 June 2024.

The carrying amount of recognised and unrecognised deferred tax assets is reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax Consolidation Legislation

Zip Co Limited and its wholly-owned Australian controlled subsidiaries are members of a tax-consolidated group under Australian tax law. Zip Co Limited is the head entity within the tax-consolidated group.

In addition to its own current and deferred tax amounts, the head entity may also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the head entity and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred and does not tax effect transactions that have no tax consequences to the Group. The same basis is used for tax allocation within the tax-consolidated group.

M. Earning Per Share

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Zip Co Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

N. Foreign Currencies

In preparing the condensed consolidated financial statements of the consolidated entity, the results and financial position of each group entity are expressed in Australian dollars, which is the functional currency of the parent entity and the presentation currency for the condensed consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Condensed Consolidated Financial Statements continued

For the purpose of presenting condensed consolidated financial statements, the assets and liabilities of the consolidated entity's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve and may be subsequently reclassified to profit and loss in future reporting period.

O. Discontinued Operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

Note 2. Segment Information

An operating segment is a component of an entity engaging in business activities from which it may earn revenue and incur expenses, whose operating results are reviewed and used by the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources. Intersegment loans are eliminated on consolidation and there is no aggregation of operating segments.

The consolidated entity had three operating segments being ANZ, USA, and Corporate in the half year ended 31 December 2024 and four in the half year ended 31 December 2023 with Zip Business discontinued in the financial year ending 30 June 2024 and Americas changed to USA with operations in Canada discontinued. The operating segments may change in the future as the consolidated entity continues to re-assess its operating model, reporting systems, and the financial information presented to the CODM for decision-making purposes. The details of the operating segments are set out below and the results of each segment are reported in the table that follows:

ANZ	Offers instalment or retail line of credit products[1, 2] to consumers in Australia and New Zealand.
USA	Offers BNPL instalment products[1] to customers in the USA.
CORPORATE	Comprises group expenses benefiting all segments and are either not directly attributable or allocated to a particular segment.

1. For instalment products, a customer makes the first instalment when the transactions happens and then repays the remaining instalments typically over 6 weeks. These instalments are of equal value for each order and are interest-free.
2. Line of credit products offer customers a flexible customer loan that consists of a defined amount of money that customer can access as needed and repay either immediately or over time.

The consolidated entity made a reclassification across operating segments due to discontinued operations. These changes have not impacted the consolidated entity's net profit, but have resulted in changes to the presentation of the condensed consolidated statement of profit or loss and other comprehensive income of the affected segments including current and prior reporting periods.

Notes to the Condensed Consolidated Financial Statements continued

Half Year Ended 31 December 2024	ANZ $'000	USA $'000	Corporate and other $'000	Total $'000
Total revenue (inc. other income)	208,988	304,862	195	514,045
Cash cost of sales[1]	(135,139)	(143,358)	–	(278,497)
Cash gross profit	73,849	161,504	195	235,548
Cash operating expenses	(61,022)	(93,210)	(14,337)	(168,569)
Cash non-operating expenses and one-off items	–	–	(18)	(18)
Cash EBTDA	**12,827**	**68,294**	**(14,160)**	**66,961**
Movement in expected credit losses	(15,999)	(16,109)	9	(32,099)
Share-based payments	(3,203)	(2,437)	38	(5,602)
Non cash non-operating expenses, gains and losses	2,094	(441)	(2,317)	(664)
Gains and losses	1,289	(110)	5,315	6,494
Amortisation of funding costs	(2,082)	(814)	–	(2,896)
Interest on corporate financing and operations[2]	(404)	(58)	(27,967)	(28,429)
EBTDA	**(5,478)**	**48,325**	**(39,082)**	**3,765**
Depreciation and amortisation	(6,807)	(24,976)	(257)	(32,040)
Profit or loss before income tax	**(12,285)**	**23,349**	**(39,339)**	**(28,275)**

Half Year Ended 31 December 2023*	ANZ $'000	USA $'000	Corporate and other $'000	Total $'000
Total revenue (inc. other income)	213,472	214,937	743	429,152
Cash cost of sales[1]	(146,722)	(101,381)	(92)	(248,195)
Cash gross profit	66,750	113,556	651	180,957
Cash operating expenses	(55,896)	(75,596)	(16,747)	(148,239)
Cash non-operating expenses and one-off items	(60)	–	(1,815)	(1,875)
Cash EBTDA	**10,794**	**37,960**	**(17,911)**	**30,843**
Movement in expected credit losses	16,491	(1,152)	(1,068)	14,271
Share-based payments	(2,731)	(2,553)	(256)	(5,540)
Non cash non operating expenses, gains and losses	175	(211)	(21,977)	(22,013)
Gain on extinguishment of pre-existing Senior Convertible Notes	–	–	139,700	139,700
Gains and losses	(608)	(446)	1,180	126
Amortisation of funding costs	(1,810)	(803)	–	(2,613)
Interest on corporate financing and operations	(494)	–	(39,407)	(39,901)
One-off items	–	–	4,761	4,761
EBTDA	**21,817**	**32,795**	**65,022**	**119,634**
Depreciation and amortisation	(7,487)	(24,611)	(328)	(32,426)
Profit or loss before income tax	**14,330**	**8,184**	**64,694**	**87,208**

1. Cash cost of sales comprises interest expense related to customer receivables funding, bad debts (recoveries and write-offs), bank fees and data costs. It excludes expected credit losses and amortisation of funding.
2. Includes $28.1 million of amortisation of corporate funding costs due to the repayment of the corporate funding facility.

* Comparative information has been restated due to discontinued operations, please refer to Note 14.

Notes to the Condensed Consolidated Financial Statements continued

Note 3. Expenditure

	Consolidated	
	31 December 2024 $'000	31 December 2023* $'000
Profit/Loss before income tax from continuing operations includes the following specific expenses:		
Interest expense:		
Interest expense related to customer receivables	109,098	99,181
Interest expense related to funding for operations[1]	29,202	5,752
Total interest expense	138,300	104,933
Depreciation and amortisation expenses:		
Depreciation of property, plant and equipment	900	979
Depreciation of right-of-use assets	2,361	1,990
Amortisation of acquired intangibles	20,197	19,325
Amortisation of internally generated IT development and software	8,582	10,132
Total depreciation and amortisation expenses	32,040	32,426
Corporate financing costs:		
Effective interest charged on convertible notes (normal course)	–	7,762
Interest on leasing liabilities	462	494
Incentivised conversion – incentive payments	–	31,496
Other corporate financing costs	205	2,074
Total corporate financing costs	667	41,826
Other operating expenses:		
Occupancy expense	1,234	1,366
Loss on derecognition of financial liabilities	–	1,048
Professional services fees	12,017	13,191
Other operating expenses	4,416	10,945
Total other operating expenses	17,667	26,550
Net other losses/(gains):		
Gain on extinguish of pre-existing Senior Convertible Notes	–	(139,689)
Unrealised loss – financial liability	2,400	4,583
Other gains	(103)	(3,132)
Net other loss/(gains)	2,297	(138,238)
Fair value loss on financial instruments:		
Fair value gain on embedded derivative and warrants	–	(370)
Fair value loss on investment at FVTPL	–	15,390
Fair value loss	–	15,020

* Comparative information has been restated due to discontinued operations, please refer to Note 14.

1. Includes $28.1 million of amortisation of corporate funding costs due to the repayment of the corporate funding facility.

Notes to the Condensed Consolidated Financial Statements continued

Note 4. Taxation

Income Tax (Benefit)/Expense

	Consolidated	
	31 December 2024 $'000	**31 December 2023* $'000**
Numerical reconciliation of income tax benefit and tax at the statutory rate		
(Loss)/Profit before income tax benefit from continuing operations	(28,275)	87,208
Tax at the statutory tax rate of 30%	(8,482)	26,162
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Share-based payments	577	(76)
– (Deductible)/non-deductible expenses	(4,522)	3,319
– Assessable TOFA gain on financial instruments	–	9,182
– Non-deductible fair value loss	–	4,617
– Impairment losses	(28)	817
– Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,229)	(311)
	(13,684)	**43,710**
Prior year tax losses (utilised)/current year tax losses not recognised	23,732	(10,066)
Initial recognition of deferred tax asset on timing differences and tax losses	(54,613)	–
Movement in temporary differences not recognised	(10,932)	(2,137)
Movement in temporary differences recognised	4,217	(17,053)
Income tax (benefit)/expense from continuing operations	**(51,280)**	**14,454**

* Comparative information has been restated to reflect discontinued operations in the current financial year. Please refer to Note 14.

Notes to the Condensed Consolidated Financial Statements continued

Deferred Tax

Other than for the USA income tax group (refer below), the consolidated entity has recognised deferred tax assets to the extent required to equal deferred tax liabilities. Deferred tax assets arising from timing differences and deferred tax liabilities have been offset in the condensed consolidated statement of financial position at the current and the prior year end, to the extent they are levied by the same taxing authority on the same entity or different entities within a tax consolidated group.

	Consolidated	
	31 December 2024 $'000	30 June 2024 $'000
Deferred tax assets comprise temporary differences attributable to:		
Timing differences		
– Provision for expected credit losses	52,708	45,029
– Other provision and payables	41,853	38,735
– Fair value movements on financial instruments	–	25,573
– Tax losses previously not recognised	107,945	67,322
Less: Deferred tax assets not brought to account	(135,192)	(153,776)
Deferred tax assets (recognised from temporary difference) before set off	**67,314**	**22,883**
Set off deferred tax liabilities pursuant to set-off provisions	(12,260)	(22,883)
Net deferred tax assets	**55,054**	**–**
Deferred tax liabilities comprise temporary differences attributable to:		
– Acquired intangibles and other	12,260	16,477
– Financial Instruments	–	6,406
Deferred tax liabilities before set off	**12,260**	**22,883**
Set off deferred tax assets pursuant to set-off provisions	(12,260)	(22,883)
Net deferred tax liabilities	**–**	**–**

The Group has recognised a deferred tax asset of $55.05 million (US$34.31 million) for the USA income tax group. The recognition has met the requirements set out in the AASB 112 *Income Tax*. Included in the $55.05 million (US$34.31 million) deferred tax asset booked, $34.29 million (US$21.36 million) represents the deferred tax asset on USA tax losses, and the remaining $20.77 million (US$12.94 million) is for the deferred tax asset on the USA timing differences.

Based on the calculation of the Group's tax position, the Group had $393.4 million of tax losses at 31 December 2024 and $263.0 million of tax losses at 30 June 2024. The net movement during the period was $130.4 million (this represents prior year tax loss increase of $54.6 million, current year tax losses increase of $100.7 million, FX movement increase of $12.5 million, less ($37.4 million) tax losses utilised).

Notes to the Condensed Consolidated Financial Statements continued

Note 5. Earnings Per Share

A. Reconciliation of Earnings Used in Calculating Earnings Per Share

	Consolidated	
	31 December 2024 $'000	31 December 2023 $'000
Profit attributable to the Members of the Zip Co Limited used in calculating basic and diluted earnings per share		
Continuing operations	23,005	72,754
Discontinued operations	–	279
	23,005	73,033

B. Weighted Average Number of Shares Used as the Denominator

	31 December 2024 '000	31 December 2023 '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,248,789	872,650
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,261,199	1,031,888

C. Earnings Per Share from Continuing Operations

	31 December 2024 Cents	31 December 2023 Cents
Basic earnings per share	1.84	8.34
Diluted earnings per share	1.82	7.05

D. Earnings Per Share from Continuing Operations and Discontinued Operation

	31 December 2024 Cents	31 December 2023 Cents
Basic earnings per share	1.84	8.37
Diluted earnings per share	1.82	7.08

Notes to the Condensed Consolidated Financial Statements continued

Note 6. Cash and Cash Equivalents

	Consolidated	
	31 December 2024 $'000	30 June 2024 $'000
Cash and cash equivalents	194,744	121,346
Restricted cash	332,239	231,660
	526,983	353,006

At 31 December 2024 the consolidated entity had cash of $527.0 million of which $332.2 million was restricted cash (30 June 2024: cash of $353.0 million of which $231.7 million was restricted cash). Restricted cash is held by the securitisation warehouses and special purpose vehicles and is not available to pay creditors of the consolidated entity.

The consolidated entity holds balances (31 December 2024: $27.0 million, 30 June 2024: $43.9 million) that are reported as cash and cash equivalents and are held on Zip's balance sheet to either provide initial funding for transactions on Zip's virtual card or physical card products or provide a float to support such transactions. Zip considers both of these amounts as unavailable, and together with the restricted cash are not included in the balances Zip considers as available cash to fund operations (unavailable cash 31 December 2024: $359.3 million, (30 June 2024: $275.5 million).

Zip invests funds in its securitisation warehouses and when required withdraws funds in excess of those required to meet subordination requirements to fund its operations, drawing a corresponding amount from funding providers (31 December 2024: $27.8 million, 30 June 2024: $2.9 million). Zip considers this amount to be available cash to fund operations.

Available cash and liquidity is determined as:

	Consolidated	
	31 December 2024 $'000	30 June 2024 $'000
Cash, cash equivalents and restricted cash	526,983	353,006
Less: unavailable cash		
– Restricted cash	(332,239)	(231,660)
– Operational floats	(27,040)	(43,855)
Add: excess invested securitisation warehouses and special purpose vehicles	27,780	2,921
Available cash and liquidity	195,484	80,412

Notes to the Condensed Consolidated Financial Statements continued

Reconciliation of Profit/(Loss) After Income Tax to Net Cash from Operating Activities[1]

	Consolidated	
	31 December 2024 $'000	31 December 2023 $'000
Profit after income tax for the year	23,005	73,033
Depreciation and amortisation expenses	32,040	32,426
Share-based payments	5,602	5,540
Loss on derecognition of financial liabilities	—	1,048
Share of loss of associates	—	2,248
Fair value movements on financial instruments	—	15,020
Non-cash effective interest charged on convertible notes	—	7,762
Incentivised conversion – incentive payments	—	31,496
Gain on disposal of financial assets	—	(3,132)
Gain on extinguishment of pre-existing senior convertible notes	—	(139,689)
Unrealised (gains)/losses	(4,094)	4,583
Amortisation of borrowing costs on early repayment of corporate facility	28,080	—
Other	(6,082)	—
Change in operating assets and liabilities:		
Movement in customer receivables	(193,837)	(28,024)
Movement in other assets and receivables	2,321	(9,536)
Movement in other liabilities and payables	265,689	108,987
Movement in employee provisions	(2,267)	(327)
Movement in deferred tax balances, net of deferred tax recognised in equity	(55,054)	12,309
	95,404	113,744

1. The consolidated entity has elected to present the reconciliation to operating activities in total – i.e. including both continuing and discontinued operations.

Note 7. Other Receivables

	Consolidated	
	31 December 2024 $'000	30 June 2024 $'000
Amounts due from payment platform providers	33,957	59,245
Prepayments	10,787	9,712
Accrued Income	32,970	21,020
Other receivables	20,789	10,848
Total	98,503	100,825

Notes to the Condensed Consolidated Financial Statements continued

Note 8. Customer Receivables

Financial Instruments

Customer receivables are initially recognised at fair value. Subsequently, they are classified and measured at amortised cost as:

- The consolidated entity provides accounts with lines of credit and instalment products to customers, and the business model is to hold such accounts and collect contractual cash flows until the account is closed or written off; and
- The contractual terms of the accounts give rise on specified dates to cash flows that are solely payments of principal and "effective interest" and when providing lines of credit, permit customers to vary the dates and frequency of payments.

Impairment

Expected credit losses are recognised based on unbiased forward-looking information and is applicable to all financial assets at amortised cost and loan commitments. The Group classifies assets into the following three stages:

- Stage 1: instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, twelve-month ECL's are recognised and "effective interest" revenue is calculated on the gross carrying amount of the asset. 12-month ECL are the expected credit losses that result from default events that are expected within 12 months after the reporting date.
- Stage 2: instruments that have experienced a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but "effective interest" revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3: includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and "effective interest" revenue is calculated on the net carrying amount.

Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted based on forward-looking information as described in this note. The exposure at default is estimated on gross customer receivables at the reporting date, adjusted for expected repayments and future drawdowns up to the point the exposure is expected to be in default.

Significant Increase in Credit Risk Since Initial Recognition

The provisioning model utilises customer receivables 30 days past due for its line of credit products or 14 days past due for its instalment products as criteria to identify significant increases in credit risk.

Definition of Default and Credit – Impaired Assets

Where there has been objective evidence of impairment for a customer receivable, the allowance will be based on lifetime expected credit losses. A customer receivable will be considered in default at 90 days past due for its line of credit products or 42 days past due for its instalment products, and/or when the consolidated entity is unlikely to receive the outstanding contractual amount in full based on internal or external indicators.

Notes to the Condensed Consolidated Financial Statements continued

Write-Off Policy

The consolidated entity's policy is to write off balances that are outstanding for over 180 days for its line of credit products or 84 days for its instalment products, in accordance with historical experience and industry practice.

Provisioning Model

In determining the appropriate level of provision for expected credit losses, the consolidated entity has considered receivables attributable to each of its product offerings separately and also aggregated by segment in this note.

In the assessment of the provision for expected credit losses at 31 December 2024, management took into consideration all available information relevant to the assessment, including information about past events, current economic conditions and reasonable and supportable information about future events and economic conditions at the report date.

USA and NZ

For each classification of receivable, the consolidated entity has applied historic roll rates (the percentage of receivables that move into the next ageing bucket), averaged over a twelve-month period, to the credit limits of those customers that are considered current and to the respective receivable balances for those customers accounts over 30 days past due.

Accordingly, a provision has been recognised for performing customer receivables to the extent that expected lifetime losses emerge within a twelve-month period by applying historical roll rates to the credit facility limits. For customers overdue, historical roll rates are applied to the overdue balances over the expected life of the credit facility to determine an amount of expected credit losses.

Australia

For each product, the consolidated entity classifies customer receivables into various segments of stage 1,2 and 3 receivables and then reviews historical account data and performance together with assumptions (if applicable) to calculate probability of default, exposure at default and loss given default.

Discounting is also applied, where applicable, to account for the time value of money and overlays to account for forward economic conditions and any other applicable items is then added.

Provision Overlay

An allowance for debt recoveries is applied to the resulting estimated exposure at default and an economic overlay is added to include forward-looking macro-economic and regulatory factors (including GDP, unemployment rate, and inflation rate) and modelling risks.

Forward-looking information considered in assessing macroeconomic scenarios included economic reports published by financial analysts, governmental bodies, or other similar organisations, including assessments of the outlook for the Australian and USA economies that the consolidated entity operates in.

In the assessment of expected credit losses at 31 December 2024 and at 30 June 2024, management considered base, good and bad scenarios, applying a weighted probability when determining the reported ECL. The base scenario was assessed by applying the actual performance of the customer receivable book. The good and bad scenarios were assessed by applying upside/downside movements to key variables which could have a significant impact on the credit risk. These variables include the probability of default, loss given default, the rate of customer repayments, the customer repayment lifecycle and the bad debts recovery rate. The movement in these variables was supported by modelling macroeconomic scenarios based on forward-looking information.

Notes to the Condensed Consolidated Financial Statements continued

Provision Overview

The provision for expected credit losses as a percentage of receivables increased to 6.3% at 31 December 2024 (5.5% at 30 June 2024).

The consolidated entity believes that the provision for expected credit losses, is sufficient to address any potential write-offs arising from the current economic environments the business operates within.

The following table summarises customer receivables as at the reporting dates:

	ANZ $'000	USA $'000	Consolidated $'000
Customer receivables[1]	2,120,672	681,423	2,802,095
Unearned future income	(6,568)	(26,083)	(32,651)
Provision for expected credit losses	(130,338)	(46,677)	(177,015)
Balance at 31 December 2024	1,983,766	608,663	2,592,429

1. The customer receivables information is presented in line with the classification of the consolidated entity's operating segments. Refer to Note 2 for description of the consolidated entity's instalments and line of credit products.

	ANZ $'000	USA $'000	Consolidated $'000
Customer receivables	2,143,205	421,017	2,564,222
Unearned future income	(6,274)	(17,121)	(23,395)
Provision for expected credit losses	(114,353)	(27,882)	(142,235)
Balance at 30 June 2024	2,022,578	376,014	2,398,592

The following table summarises reconciliations of provision for expected credit losses in the reporting periods:

	ANZ $'000	USA $'000	Consolidated $'000
Balance at 30 June 2024	114,353	27,882	142,235
Provided in the period	64,818	64,687	129,505
Receivables written-off during the period	(63,024)	(58,180)	(121,204)
Recoveries during the period	14,157	9,602	23,759
Foreign exchange movements	34	2,686	2,720
Balance at 31 December 2024	130,338	46,677	177,015

The consolidated entity's customer receivable balances are predominately high volume low value advances to individual customers. The following tables provides information about customer receivables classified into Stage 1 to Stage 3 and the provision provided for expected credit losses for each stage.

Notes to the Condensed Consolidated Financial Statements continued

As the consolidated entity's customer receivables are short-term in nature, the staging transfer disclosures have not been provided.

	ANZ $'000	USA $'000	Conso-lidated $'000
Gross Customer Receivables			
Stage 1	1,997,250	607,894	2,605,144
Stage 2	55,222	51,815	107,037
Stage 3	68,200	21,714	89,914
Balance at 31 December 2024	2,120,672	681,423	2,802,095
Provision for Expected Credit Losses			
Stage 1	(52,787)	(16,511)	(69,298)
Stage 2	(32,873)	(22,825)	(55,698)
Stage 3	(44,678)	(7,341)	(52,019)
Balance at 31 December 2024	(130,338)	(46,677)	(177,015)

	ANZ $'000	USA $'000	Conso-lidated $'000
Gross Customer Receivables			
Stage 1	1,980,042	384,687	2,364,729
Stage 2	118,700	24,800	143,500
Stage 3	44,463	11,530	55,993
Balance at 30 June 2024	2,143,205	421,017	2,564,222
Provision for Expected Credit Losses			
Stage 1	(32,581)	(7,622)	(40,203)
Stage 2	(52,500)	(14,109)	(66,609)
Stage 3	(29,272)	(6,151)	(35,423)
Balance at 30 June 2024	(114,353)	(27,882)	(142,235)

The following table provides information about customer receivables by payment past due status. Figures presented in the table differ from the staging table as the staging table is based on the assessment of credit risk which includes, but is not limited to, past due status.

	Consolidated			
	31 December 2024 $'000	% of Customer Receivables %	30 June 2024 $'000	% of Customer Receivables %
Past due under 30 days	96,855	3%	84,210	3%
Past due 31 days to under 60 days	40,070	1%	40,335	2%
Past due 61 to under 90 days	30,594	1%	30,749	1%
Past due 91 under 180 days	33,270	1%	44,201	2%

Notes to the Condensed Consolidated Financial Statements continued

Note 9. Intangible Assets

	Consolidated 31 December 2024 $'000	Consolidated 30 June 2024 $'000
Carrying amounts		
Trademarks	62	62
Customer database	–	43
Transacting partner database	13,320	21,929
IT development and software	65,341	74,053
	78,723	96,087

Consolidated	Trademarks $'000	Customer Database $'000	Transacting Partner Database $'000	IT Development and Software $'000	Total $'000
Cost					
Balance at 30 June 2024	62	654	94,508	233,317	328,541
Additions	–	–	–	8,751	8,751
Written-off	–	(654)	(524)	(32,745)	(33,923)
Effect of movements in foreign exchange rates	–	–	8,785	11,104	19,889
Balance at 31 December 2024	62	–	102,769	220,428	323,259

Consolidated	Trademarks $'000	Customer Database $'000	Transacting Partner Database $'000	IT Development and Software $'000	Total $'000
Accumulated amortisation and impairment losses					
Balance at 30 June 2024	–	(611)	(72,579)	(159,264)	(232,454)
Amortisation	–	(43)	(16,037)	(12,699)	(28,779)
Written-off	–	654	524	32,745	33,923
Effect of movements in foreign exchange rates	–	–	(1,357)	(15,868)	(17,225)
Balance at 31 December 2024	–	–	(89,449)	(155,087)	(244,536)

Notes to the Condensed Consolidated Financial Statements continued

The following useful lives are used in the calculation of amortisation:

Internally generated intangibles:

- IT development and software 2.5 years.

Acquired intangibles:

- Trademarks indefinite;
- Customer database 5 years;
- Transacting partner database 4 to 5 years; and
- IT development and software 6 years.

The impairment assessment of intangible assets is detailed in Note 10.

Note 10. Goodwill

The consolidated entity has three cash-generating units (CGUs) at 31 December 2024 as set out in the following table. Goodwill has been allocated to these CGUs.

Consolidated	ZIP AU $'000	ZIP US $'000	ZIP NZ $'000	Consolidated $'000
Balance at 30 June 2023	4,548	203,430	1,257	209,235
Effect of movements in foreign exchange rates	–	246	(5)	241
Balance at 30 June 2024	4,548	203,676	1,252	209,476
Effect of movements in foreign exchange rates	–	12,747	5	12,752
Balance at 31 December 2024	4,548	216,423	1,257	222,228

Impairment Assessment for Goodwill, Including Intangible Assets:

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination.

During the half year ended 31 December 2024, an assessment of impairment indicators was performed for each of the consolidated entity's CGUs, considering both internal and external factors, and management concluded that there were no indications that goodwill may be impaired.

Note 11. Trade and Other Payables

	Consolidated	
	31 December 2024 $'000	30 June 2024 $'000
Trade payables	51,506	45,319
Amounts due to merchants and other partners	468,509	210,018
Other	4,139	3,128
Total	524,154	258,465

The increase in amounts due to merchants and other partners reflects an increase in volumes in the USA and the increase in pre-funding of transaction volumes by partners to cover trading days prior to 31 December 2024.

Notes to the Condensed Consolidated Financial Statements continued

Note 12. Borrowings

Borrowings and Securitisation Warehouse

	Consolidated	
	31 December 2024 $'000	30 June 2024 $'000
Secured Consumer facilities	2,327,960	2,300,288
Corporate debt facility	–	130,000
	2,327,960	2,430,288
Add: accrued interest	10,040	9,272
Less: unamortised costs	(8,147)	(36,420)
	2,329,853	2,403,140

The consolidated entity sells customer receivables to securitisation warehouses and special purpose vehicles through its asset-backed financing program. The securitisation warehouses and special purpose vehicles are consolidated as the consolidated entity is exposed to, or has rights to, variable equity returns, and has the ability to affect its returns through its power over the securitisation warehouses and special purpose vehicles. The secured facilities are directly secured by receivables in the consolidated entity's securitisation warehouses and special purpose vehicles. In the event the consolidated entity does not extend a secured facility, or renew a secured facility with a new financier, the secured facility amortises under the terms of the respective secured facility agreement and customer repayments are used to repay the respective financier.

Corporate Facility

In July 2024, Zip repaid the remaining corporate debt facility and associated exit fee.

Assets Pledged as Security

The table below presents the assets and underlying borrowings as a result of the securitisation warehouses and special purpose vehicles through the consolidated entity's asset-backed financing program:

	Consolidated	
	31 December 2024 $'000	30 June 2024 $'000
Customer receivables[1]	2,270,087	2,271,979
Cash held through asset-backed financing program	332,239	231,660
	2,602,326	2,503,639
Borrowings related to receivables[2]	2,507,782	2,473,193

1. The amount recognised above represents the carrying value of the customer receivables held by securitisation warehouses and special purpose vehicles and is net of the provision for expected credit losses and unearned future income. This excludes customer receivables totalling $322.3 million held by entities that do not have asset-backed financing programs in place at 31 December 2024 ($129.0 million at 30 June 2024).
2. Including $179.8 million junior and seller notes held by Zip's corporate entities ($172.9 million at 30 June 2024).

Notes to the Condensed Consolidated Financial Statements continued

Term of Facilities Financing Arrangements

Consumer Receivables	Facility Limit $'000	Drawn at 31 December 2024 $'000	Maturity	Facility Type
Zip Master Trust[4]				
– Rated Note Series				
– 2023-1	190,000	190,000	May 2026	BBSW + Margin
– 2023-2	285,000	267,000	October 2026	BBSW + Margin
– 2024-1	284,980	284,980	October 2025	BBSW + Margin
– 2024-2[3]	332,500	332,500	September 2027	BBSW + Margin
– Variable Funding Note	468,290	413,800	March 2025	BBSW + Margin
– Variable Funding Note 3[7]	285,000	199,500	June 2027	BBSW + Margin
– Variable Funding Note 4	285,000	190,000	March 2027	BBSW + Margin
zipMoney 2017-1 Trust[5]	155,490	111,725	July 2026	BBSW + Margin
Zip NZ Trust 2021-1[6]	18,127	12,689	July 2026	BKBM + Margin
AR3LLC[8]	481,428	325,766	December 2026	SOFR + Margin
Total	2,785,815	2,327,960		

1. Facility limit of NZ$20.0 million translated to AUD at exchange rate of 1.1033.
2. Facility limit of US$300.0 million translated to AUD at exchange rate of 0.6231.
3. Zip successfully completed a $350.0 million rated note issuance for three years within the Master Trust (2024-2) with a weighted-average margin of 2.13% and the senior notes being AAA-rated, Zip retained 5.0% of the facility. The proceeds were used to repay the $698.4 million Master Trust (2021-2) that matured on 10 September 2024.
4. Zip successfully completed a new $300.0 million warehouse facility for two and half years within the Zip Master Trust, Zip retained 5.0% of the facility. The proceeds were used to repay the $698.4 million Master Trust (2021-2) that matured on 10 September 2024.
5. Zip successfully extended the 2017-1 facility for two years with existing senior financiers and a new mezzanine investor. This facility is a smaller trust separate to Zip's Master Trust funding vehicle. The revised facility limit increased to $155.5 million.
6. Zip successfully extended the Zip NZ facility for two years with its existing senior financier.
7. Zip successfully renegotiated terms on VFN3 in December 2024, extending maturity from April 2026 to June 2027.
8. In October 2024, Zip renegotiated the increase to the USA funding facility (AR3LLC) from US$225.0 million to US$300.0 million, improving the capital efficiency of the facility and providing additional funding flexibility to support USA growth over the medium term.

Note 13. Issued Capital

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the consolidated entity in proportion to the number of, and amounts paid when initially issued, on the shares held. The fully paid ordinary shares have no par value and the consolidated entity does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

	31 December 2024 Shares '000	31 December 2024 $'000	30 June 2024 Shares '000	30 June 2024 $'000
Ordinary shares – fully paid	1,305,591	2,617,371	1,126,660	2,339,769
	1,305,591	2,617,371	1,126,660	2,339,769

Notes to the Condensed Consolidated Financial Statements continued

Movements in Ordinary Share Capital

Details	Shares '000	Shares $'000
Balance at 30 June 2024	1,126,660	2,339,769
Issue of shares – employee incentives	7,650	16,343
Issue of shares – exercise of options	50	20
Issue of shares – capital raising	171,231	267,122
Cost of issuing shares	–	(5,883)
Balance at 31 December 2024	1,305,591	2,617,371

Movements in Options

Employee Options

Details	Options '000
Balance at 30 June 2024	157
Expired during the period	(11)
Exercised during the year	(50)
Balance at 31 December 2024	96

Movements in Performance Rights

Performance Rights Under at Risk Long-Term Incentives

Details	Rights '000
Balance at 30 June 2024	8,757
Issued during the period	1,526
Lapsed during the period	(2,781)
Vested during the year	(407)
Balance at 31 December 2024	7,095

Performance Rights Under Long-Term Equity

Details	Rights '000
Balance at 30 June 2024	5,642
Issued during the period	859
Lapsed during the period	(798)
Vested during the year	(991)
Balance at 31 December 2024	4,712

Notes to the Condensed Consolidated Financial Statements continued

Movements In Warrants

Details	Warrants '000
Balance at 30 June 2024	7,308
Balance at 31 December 2024	7,308

The following table shows details of warrants issued outstanding at 31 December 2024:

Issue Date	Expiry Date	Exercise Price	Number Issued
6 November 2019	6 November 2026	$4.70	7,307,500.00
Balance at 31 December 2024			7,307,500.00

On 7 November 2019, Zip entered a strategic agreement with Amazon Commercial Services Pty Limited (Amazon Australia) whereby Zip was offered as a payment choice on Amazon Australia. Zip issued Amazon Australia warrants to acquire 14,615,000 ordinary shares in Zip at an exercise price of $4.70 exercisable based on achievement of certain performance hurdles (Amazon Warrants).

The Amazon Warrants were independently valued by an external valuer using a custom-built Monte Carlo model which simulates share price paths over the duration of the warrants' life. As a result, each Amazon Warrant has been valued at $1.65 which approximates the value of the service received. Of the warrants issued, 3,653,750 warrants (25% of the total) vested concurrently with Zip's entry into the strategic agreement, and the remainder of the warrants vest based on performance milestones relating to transaction volumes being achieved over the seven years from issue date. On vesting, the warrants may be exercised any time up to seven years from the issue date. Unvested Amazon Warrants are subject to early expiration in certain circumstances, including in the event that the applicable vesting milestones are not met by specified dates. Assessments are made at each future reporting date and adjustments made to the amounts recognised in expenses based on this assessment.

Share issuance

As announced to the ASX on 17 July 2024, Zip successfully completed a fully underwritten placement, raising $217 million (before costs) and a non-underwritten share purchase plan ("SPP") raising $50.1 million.

Note 14. Discontinued Operations

During the financial year ended 30 June 2024, as part of its strategic review process the consolidated entity has ceased operations in the operating segment Zip Business. During that period, Zip Business sold all outstanding receivable loans in Australia and New Zealand to third parties. Zip fully repaid all external Zip Business funders under its facilities in Australia and New Zealand.

In accordance with AASB 5, the consolidated entity has disclosed these operations under discontinued operations as one line on the face of the condensed consolidated statement of profit or loss and other comprehensive income. Prior period comparatives have been reclassified to be comparable.

Results of discontinued operations

	Consolidated	
	31 December 2024 $'000	31 December 2023 $'000
Revenue	—	4,722
Expenses	—	(4,443)
Profit before income tax	—	279
Income tax expense	—	—
Profit after income tax from discontinued operations	—	279

Notes to the Condensed Consolidated Financial Statements continued

Note 15. Contingencies

On 24 June 2019, Zip announced to the ASX that Firstmac Limited had commenced proceedings in the Federal Court against Zip Co Limited and its subsidiary zipMoney Payments Pty Ltd alleging infringement of Firstmac's "ZIP" trademark, which is registered in respect of financial affairs (loans).

On 1 June 2023, Zip announced that it had successfully defended the trade mark infringement claim, and that Zip was also successful in its non-use application, and cross-claim for removal or cancellation of Firstmac's trademark. Firstmac lodged an appeal in response to both its failed trade mark infringement claim against Zip, and Zip's success in its non-use claim and the consequential cancellation or removal of Firstmac's mark. The appeal was heard in November 2023 and the Court's judgment has not yet been handed down. Zip will continue to defend its use of 'ZIP'.

In July 2024, Zip Co US Inc. (Zip US), a subsidiary of Zip, received a letter from the CFPB notifying it, in accordance with the CFPB's Notice and Opportunity to Respond and Advise (NORA) process, that the CFPB's Office of Enforcement may recommend that the CFPB take legal action against Zip US for alleged violations of certain U.S. consumer protection statutes. In particular, the CFPB advised that such action may include allegations that convenience fees historically charged to consumers constitute finance charges and should have been disclosed as such to consumers generally and to members of the military specifically; that certain Zip US products are "credit cards" under U.S. law, thus entitling consumers to certain protections including in the event of a dispute with a merchant; that Zip US previously failed to provide specified disclosures to consumers whose requests for credit were denied; and that certain of its activities, as described above and other communications with consumers amount to "deceptive" or "abusive" conduct under U.S. consumer protection law. Zip US responded to the NORA, and is in discussions with the CFPB regarding this matter. The Company is not able to reasonably predict the likely timing of this matter's completion nor give any assurance regarding its ultimate outcome. If the CFPB elects to proceed with a legal action, it may seek injunctive and monetary relief, including penalties, and the Company cannot provide any assurance that the remedies sought by the CFPB would not be material from a financial and/or reputational risk perspective. The Company expects that if changes are required to Zip US's business practices as a result of this matter, they would be unlikely to have a material adverse effect on its operations.

There were no other contingent liabilities or contingent assets as at 31 December 2024.

Notes to the Condensed Consolidated Financial Statements continued

Note 16. Interest in Subsidiaries

Ultimate Parent

Zip Co Limited is the ultimate parent entity and the parent entity of the consolidated entity.

Corporate Structure

The legal corporate structure of the consolidated entity is set out below:

		Ownership Interest	
Legal parent	Principal place of business/ Country of incorporation	31 December 2024 %	30 June 2024 %
Zip Co Limited[1]	Australia	–	–
Legal subsidiaries			
ZipMoney Payments Pty Ltd[1]	Australia	100%	100%
ZipMoney Trust 2017-1[2]	Australia	100%	100%
Zip Master Trust[2]	Australia	100%	100%
ZipMoney Holdings Pty Ltd[1]	Australia	100%	100%
ZipMoney Securities Ltd	Australia	100%	100%
Pocketbook Holdings Pty Ltd	Australia	100%	100%
Pocketbook Australia Pty Ltd	Australia	100%	100%
Pocketbook Technologies Pty Ltd	Australia	100%	100%
Zip Domestic Holdings Pty Limited	Australia	100%	100%
Zip International Holdings Pty Limited	Australia	100%	100%
Zip International India Pty Ltd	Australia	100%	100%
Zip Business Australia Pty Ltd	Australia	100%	100%
Funding Box 3 (Australia) Pty Ltd	Australia	100%	100%

1. These entities have entered into a deed of cross guarantee.
2. Ownership is through ZipMoney Payments Pty Ltd, which is both the Participating Unitholder and Residual Unitholder of the ZipMoney Trust 2017-1 and the Zip Master Trust.
3. Zip Business Trust 2022-1 was closed on 17 Sep 2024.

Notes to the Condensed Consolidated Financial Statements continued

Legal subsidiaries	Principal place of business/ Country of incorporation	Ownership Interest 31 December 2024 %	30 June 2024 %
Zip Business Trust 2022-1[3]	Australia	–%	100%
Urge Holdings Pty Ltd	Australia	100%	100%
Urge Technologies Pty Ltd	Australia	100%	100%
Shnap Pty Ltd	Australia	100%	100%
ZipMoney Payments (NZ) Limited	New Zealand	100%	100%
Zip Business New Zealand Pty Ltd	New Zealand	100%	100%
Funding Box NZ Limited	New Zealand	100%	100%
Zip Co NZ Limited	New Zealand	100%	100%
Zip Co NZ Finance Limited	New Zealand	100%	100%
Zip NZ Trust 2021-1	New Zealand	100%	100%
Zip Co Payments UK Limited	United Kingdom	100%	100%
Zip Co Finance UK Limited	United Kingdom	100%	100%
Zip UK Holdings Limited	United Kingdom	100%	100%
QuadPay AR1 LLC	United States of America	100%	100%
Zip Co US Inc	United States of America	100%	100%
AR2 LLC	United States of America	100%	100%
AR2 Holdco LLC	United States of America	100%	100%
AR3 LLC	United States of America	100%	100%
AR3 Holdco LLC	United States of America	100%	100%
Zip Co Canada Holdings Inc	United States of America	100%	100%
Zip Co Payments Mexico. S.A.de C.V.	Mexico	100%	100%
Zip Co Payments Canada ULC	Canada	100%	100%

1. These entities have entered into a deed of cross guarantee.
2. Ownership is through ZipMoney Payments Pty Ltd, which is both the Participating Unitholder and Residual Unitholder of the ZipMoney Trust 2017-1 and the Zip Master Trust.
3. Zip Business Trust 2022-1 was closed on 17 Sep 2024.

Note 17. Subsequent Events

Apart from as otherwise disclosed in this report there were no further material items, transactions or events subsequent to 31 December 2024 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

Directors' Declaration

In the Directors' opinion:

- the attached condensed consolidated financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached condensed consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached condensed consolidated financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors

Cynthia Scott
Group CEO and Managing Director

25 February 2025

Independent Auditor's Report to the Members

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the Members of ZIP Co Limited

Conclusion

We have reviewed the half-year financial report of Zip Co Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2024, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration as set out on pages 11 to 43.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-year Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain

Independent Auditor's Report to the Members continued

Deloitte.

assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 25 February 2025

Corporate Directory

Directors

Diane Smith-Gander AO (Chair)
Cynthia Scott (Group CEO & Managing Director)
Meredith Scott (Non-Executive Director)
Kevin Moss (Non-Executive Director)
Matthew W. Schuyler (Non-Executive Director)

Company Secretary

Sarah Brown and Lucy Barnett

Registered Office

Level 5, 126 Phillip Street
Sydney NSW 2000

Phone: 1300 288 664
Website: www.zip.co

Administrative Office

Level 7, 180 George Street
Sydney NSW 2000

Phone: +61 2 8294 2345

Securities Exchange Listing

ASX Code: ZIP

Auditors

Deloitte Touche Tohmatsu
Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000

Solicitors

Arnold Bloch Liebler
Level 24, 2 Chifley Square
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 17, 221 St Georges Terrace
Perth WA 6000

Phone: 1300 850 505

Investor Enquiries

investors@zip.co

Glossary

Throughout Zip Co Limited's (Zip, Company, Parent) financial statements, the following terms and abbreviations have the meanings detailed in this glossary, which shall be updated from time to time:

FY	Financial year ending 30 June of the relevant financial year.
CY	Calendar year.
1H	Six months ending 31 December of the relevant financial year.
2H	Six months ending 30 June of the relevant financial year.
1Q	Three months ending 30 September.
2Q	Three months ending 31 December.
3Q	Three months ending 31 March.
4Q	Three months ending 30 June.
AASB	Australian Accounting Standards Board.
Active Customers	Active customers defined as customer accounts that have had transaction activity in the 12 months to the defined period.
AFSL	Australian Financial Services License.
AGM	Annual General Meeting.
ANZ	The geographic regions comprising Australia and New Zealand, excluding the operations of Zip Business.
AU revenue yield	Annualised revenue for a given period divided by gross customer receivables, calculated on receivables related to Zip AU's Master Trust facilities and funding vehicle 2017-1 Trust.
ASX	Australian Securities Exchange.
Bps	Basis points (1.0% = 100bps).
Cash Cost of Sales	Cost of sales excluding non-cash items, being movement in bad debt provisions and amortisation of funding costs.
Cash Gross Profit	Total income less cash cost of sales.
Cash Net Transaction Margin ("Cash NTM")	For any given period, a percentage representing cash gross profit divided by TTV.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CHESS	Clearing House Electronic Subregister System.
COO	Chief Operating Officer.
Cost of Sales	Cost of sales includes interest expense related to customer receivables (including of amortisation of funding costs), bad debts and expected credit losses, and bank fees and data costs.
EBTDA	Earnings before tax, depreciation and amortisation.
GRG	Godfrey Remuneration Group.
Group Cash EBTDA	EBTDA less non-cash and one-off items.
KMP	Key Management Personnel.
LTE	Long-Term Equity.

Glossary continued

LTVR	Long-Term Variable Reward.
NED	Non-Executive Director.
NTM	Net Transaction Margin.
Revenue Margin	For any given period, a percentage representing total income divided by TTV.
RPCC	Remuneration, People and Culture Committee.
Segment EBTDA	EBTDA less share-based payments expense and one-off items.
STVR	Short-Term Variable Reward.
Total Income	Revenue plus other income
Total merchants	Number of accredited merchants
Total Transaction Volume ("TTV")	The total dollar amount of all customer transactions for a given period, net of refunds.
TRP	Total Remuneration Package.
TSR	Total Shareholder Return.
TTRP	Target Total Remuneration Package.
VWAP	Volume Weighted Average Price.
USA	United States of America.
ZIPNEP	Zip NED Equity Plan.

Non-IFRS Information

Non-IFRS financial information included in Zip's Financial Report, for the half year ended 31 December 2024 has been prepared in accordance with ASIC Regulatory Guidance 230 – *Disclosing Non-IFRS financial information*.

Non-IFRS financial information is used to manage and report on the Group that are neither recognised under AASB pronouncements or IFRS but that are included, as in the Directors' opinion, they are considered useful for the users of this Directors Report and Financial Report. This information is unaudited.

Financial information prepared in accordance with accounting standards and other financial reporting requirements of the *Corporations Act 2001* provide consistent and comparable reporting of historical financial performance, position and cash flows over time periods and between entities. Zip's Non-IFRS measures contain information aimed to assist in assessment of underlying drivers of the Group's operations, financial performance and financial position.

Unless otherwise indicated, the Group's non-IFRS financial information is calculated consistently from period to period. Definitions are provided in the reports or the Glossary, when appropriate.

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